A Bee among the Bankers

by

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AUTHOR OF

"HOW TO DEAL WITH YOUR BANKER," "BANKS AND THEIR CUSTOMERS," "YOUR BANKER'S POSITION AT A GLANCE," ETC., ETC.

PART I.—How to Increase your Deposit Rate, and Reduce your Charges upon your Current Account.

PART II.—The Australian, African, and Indian Banks in London.

London

R. A. EVERETT & CO.

42 ESSEX STREET, STRAND, W.C.

1902

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CHAPTER I

HOW TO INCREASE YOUR DEPOSIT RATE

The English depositor's position is not exactly of the brightest; and with bad trade and cheap money looming ahead, it is not likely to improve just yet. Indeed, so far as one can read the signs, the outlook is distinctly gloomy; and in the absence of political complications, a diminution in the Bank Rate appears much more probable than an accretion, which, should it occur, would doubtless be of short duration.

We can all remember the two and a half years of 2 per cent., dating from February 1894 to September 1896; and depositors, who were then receiving ½ per cent. in London and 1½ in the provinces, will doubtless agree with the saying to the effect that,

though John Bull can stand most things, per cent. irritates the old ruffian.

But why should 2 per cent. depress tl soul of John Bull? His soul is, we kno' in his investments; and unless they be gil edged, which, as John is commercial an greedy, they are not, a period of 2 per cent. implies that trade is poor and dividends diminishing. John, therefore, is compelle to retrench; and having a nasty temper, his wife soon discovers, without the aid of the money article in the newspaper, when 2 per cent. has been worrying him for a twelve-month. Let us hope that the Boers will not compel the poor man to give up his carriage. He has used his legs so little since 1866 that some fear they will prove too weak to bear his great weight; but they will find themselves mistaken if they attempt to take liberties with Mr Bull.

The Bank of England rate at the moment of writing (October 8th) is at 3. The London banks, which allow 1½ below the official minimum, are receiving money at 1½; and in the provinces from 1½ to 2 is being allowed —1½ to the easy-going man, and 2 to those persons who understand them.

We are supposed to live and learn; but in
nking matters we must, if we wish to
tain our reward here below, live and un-
rn. I am an unsophisticated person, and
d always imagined that the London Clear-
g Banks adhered strictly to 1½ below Bank
ate; but the following extract from a touting
tter of one of them to a customer of a rival
mpany shook my confidence in the unctu-
ous rectitude of at least one of these highly
espectable institutions.

"I will," wrote the agent, "allow you a little more interest on deposit account (quite a private arrangement) than the usual rate. It would give me very great pleasure to conduct your current account."

The "quite a private arrangement" is simply delightful. In fact, the writer seems an exquisite with a finished "bank" style; and the delicate hint at the finish is beyond praise. Here is the touch of the true "bank" artist, who, you will observe, takes "very great pleasure." How nice of him! Surely he must be a charming man, with perfect "bank" manners and a valuable "bank" smile. And how the dear old ladies at the branch must adore him!

But there is a more serious side of the question. We see, from this note, that a clearing bank (joint-stock) makes "quite private arrangements" with its depositors. Now, is this fair to the rest? And do the others act in a similar manner when any special advantage is to be gained thereby? I do not suppose that the outsider could walk into the bank and make terms with the cashier; but, possibly, had he a very large sum to leave, he might get a special rate; and, again, did the bank want his current account, as in the above instance, it might do something quite private and underhand in order to obtain it.

Customers often send me very interesting letters from bank managers; and, needless to say, I am always most pleased to read them, and also to publish them, when I get their consent, should they prove of public interest, or at all likely to help others in obtaining better rates. My collection, I think, is unique; and it would sadden the soul of a zealous bank manager were he to see himself through the spectacles of his customers, and to read in cold ink how highly they esteem his species, and just what

they call them—for some of the expressions are rather more original than polite, whilst one lady is positively lavish with her adjectives and notes of exclamations.

"Oh!" she exclaims, "they have such long noses!" It is quite possible; but, really, even a bank agent cannot help his nose. Perhaps, however, she is merely indulging an allegoric propensity, so possibly "long noses" may convey a definite meaning to the initiated, though I myself should feel more confident of finding them at the various Board tables, placed between a pair of dreamy Eastern eyes, owned by persons of swarthy complexion. When a person says that he hates the Jews, he is usually very young and inexperienced; and if he devote a little study to the peculiar Christian mind, he will be less disposed to allow his prejudice to blind his judgment.

We have seen that it is possible to obtain special terms for money left on deposit with certain London banks; but, from inquiries made among both the banks and their customers, I am strongly inclined to think that it is extremely difficult to persuade a clearing bank to quote a higher rate than 1½ below

Bank Rate. I mean, of course, that the inducement must be considerable, and that were the small depositor to make the attempt, he would be pretty certain to fail.

Now we come to those banks with tentacles both in London and in the provinces. Let us assume that the Bank Rate has fallen to 2. These banks would then be allowing ½ in London and 1½ in the country. The London depositor, therefore, should then make his deposit at a country branch of one of the said banks, and gain 1 per cent. by the transfer. When the country rate falls below the London allowance, as it would, should the official minimum touch 4 or 4½, then he can bring it up to the City again, thereby reaping the benefit of the accretion. The suburban branches of these companies usually adopt the same plan as the head office; therefore, the deposit must be made, so to speak, outside the radius. The purely London banks, of course, always allow 1½ below; and, as many of us doubtless remember, when the Bank of England rate touched 6 in November 1899, the deposit rate in London was 2 below.

The banks then reasoned that competition

was so keen in the City that the official minimum was not a true index to the value of a secured advance; and it cannot be denied that the contention was a just one, for their customers would not, and did not, pay 6½ per cent. on well-covered loans and over-drafts. Hence the banks could not afford to give 4½ upon sums left at interest.

I say that the customers did not pay 6½ per cent. from 30th November 1899 to 10th January 1900, the period of the 6 per cent. rate in question; but that statement requires qualifying; for, as a matter of fact, some did pay 6½, though they were in the minority. Those who knew the market, and saw how eager each bank was to snatch business from the other, naturally did not neglect their opportunity to make a bargain; and in numerous instances the companies could not obtain more than 5 per cent. on their loans, despite the 6 per cent. official minimum. It was competition that made the Bank Rate ineffective, or, rather, less effective; but more will be said of this in a later chapter.

The objective of this book is to show the depositor his exact position in relation to the banks, and also, if possible, to enable him to

improve it; and it is also my intention, later on, to analyse the balance-sheets of the Australian, Indian, and African banks in London, in such a manner that he can see at a glance which can be safely trusted. As these banks allow from 3 to 4½ per cent. upon money left with them, and as some of them are as well-managed as our own, it is more than probable, when the bankers' deposit rate in London recedes to 1 or even to ½, that he may like to transfer at least a portion of his savings to the strongest of these institutions, while their shareholders and customers may probably be glad of the opportunity of seeing just how the banks in which they are interested stand.

Then, again, having come into close contact with the customers of numerous banking companies, I have been able to correct certain impressions, and also to obtain a much wider knowledge of the manner in which a large number of banks transact their business. It is therefore my intention to publish these additional facts for the benefit of my numerous readers; consequently, I shall also discuss the position of the current-account customer as briefly as

possible. There will be some repetition, so as to make the book complete in itself; but there will be very little of it, because the facts here chronicled were unknown to me when I wrote my previous books some two years ago.

We next come to the position of the country depositor; and I have no hesitation in asserting that some of the banks have two rates, even for sums left at interest. At the moment, with a 3 per cent. official minimum, they profess to allow 1½; but most of them are careful not to exhibit a card to this effect in their offices, possibly because a mysterious policy pays them better.

The small man, who leaves from £50 to £200 in their hands, and who does not keep a banking account, would doubtless be put off did he ask for a "little" more interest or endeavour to come to a "quite private arrangement" with a smiling agent or cashier. However, should his deposit be for, say, anything over £300, he should never neglect to sound these worthies; and when it is beyond £500, he should certainly attempt to improve his position.

The larger the number of banks in a town, the fiercer is competition between them, and, consequently, the greater is the depositor's chance. As the deposit rate is not a fixed one, to which all the banks adhere, he can make inquiries of every bank in the place, and thereby ascertain whether any of the others are offering terms, taking care, of course, to ask if "quite private arrangements" are made. Armed with this information, he can call upon the manager of the bank where he keeps his deposit, quietly relate to him his interesting little visits and experiences, and then inform him that, unless he can grant the same terms as his rivals, his intention is to place the money elsewhere.

The agent, with a sad look in his eyes, will, if the deposit be a large one, say that he will refer the matter to his directors, and the customer will hear their decision in the course of a few days. Should the amount in question be small, he will tell him there and then, and the depositor can make up his mind. As there are snakes and snakes, so are there banks—and banks. Therefore it is advisable to choose a strong institution,

whose position is undoubted; and one should never have anything to do with a private banker who does not publish a balance-sheet.

Again, certain provincial banking companies are now taking fixed deposits at special rates; but, as a rule, such institutions belong to the weaker variety, which would be the first to break in the event of a crisis; and it seems much safer to deposit with a really strong Colonial institution than to accept the offer of a weak English banking company, for there are not a few of them in our midst. The depositor, therefore, must exercise caution, and not be tempted by a high rate to risk his capital.

However, in most towns of over thirty thousand inhabitants, there are from four to six sound banks, whose credit is well-established, and the depositor should confine his peregrinations to such companies. In London especially, and also in some of the large provincial cities, small banking companies are dotted about the minor streets; and many of these are rotten to the core. Their bait is high interest on deposit; and, needless to say, they should be scrupulously avoided.

The balance-sheet of one of these institutions is before me at the moment, and a most curious document it is, to be sure, making one wonder how any sane depositor could play the fly to so palpable a spider; yet the bank has succeeded in obtaining credit to the tune of some two millions of pounds. Against this it holds less than £9 in liquid assets to each £100 of its liabilities; so, should there be a determined run upon the company, it could hardly keep its doors open three hours. Similar illustrations might be given; and, of course, it would be better to pay the said bank 4 per cent. *not* to keep one's money, for a smash is certain to happen sooner or later.

Depositors, who also keep current accounts, can often bring more pressure to bear upon the manager than those persons who simply leave money at interest with a bank and have no further interest in it whatsoever. Experience proves that such persons, directly rumour connects the bank's name with any suspicious undertaking, are the first to take alarm and demand the return of their money; therefore a few banking companies only receive deposits from their own clients. The tie

between current-account customer and banker is obviously the closer; and seeing that a banking business, after all, is a credit business to a very large extent, a banker is naturally anxious to make his position as secure as possible.

Now, the current-account customer should take advantage of this relation, and when he has from £200 to £1000 to leave at interest, he should express a wish to see the manager. He would first ask the cashier behind the counter the rate the bank was allowing on deposit. Suppose the Bank Rate is 3. The teller then says 1½. If it be 4, perhaps he replies 2½. The customer, having obtained this information, next interviews the manager, whom he reminds that his bank is not the only one in the place, and requests that he be allowed ½ per cent. above the cashier's quotation.

Never take "no" from a bank manager. The good man is almost sure to equivocate; but stick to him and you will probably get what you want if your request be reasonable, for he will give way a little rather than lose a good account. Of course, if you ask in a half-hearted manner, he is certain to express

extreme surprise, as he is an innocent upon occasion; but let him see that you are in earnest, and you will have him at your door bell in a day or two with a "little" note from his directors in his pocket.

"My dear sir," he will say, "what a very nice day. And, by the way, my directors have made an exception in your case; but pray do not mention it to your friends, for it is quite exceptional—quite. You are such an old and valued client. My only request is that you will keep this arrangement quite private. How is your wife's cold in the head?"

He is, you will observe, anxious, and, like metal when heated, he expands. Then he speaks of exceptions, which is a polite way of confessing that he charges two prices for his goods, and of asking you not to give away the tricks of the trade, which, of course, you would not dream of doing, remembering that there are also tricks in your own.

It sometimes happens that a person does not like to have all his eggs in one basket, and that he will keep his current account with one institution and deposit with another.

The manager of the branch bank whereat he deposits will, hoping to induce him to transfer his account, often quote him a special rate; and there can be no harm in allowing the smiling agent to foster so harmless an illusion. Should one bank with a private firm which does not publish a balance-sheet, it seems but prudent to deposit with a well-known joint-stock company.

A certain London and provincial bank allows $1\frac{1}{2}$ per cent. below Bank Rate, both in London and at its branches, consequently, in the provinces, when the official minimum is at 2, this company is receiving deposits at $\frac{1}{2}$. But its rivals would be granting $1\frac{1}{2}$ in the country; therefore its depositors should transfer their deposits to another bank in the place until such a time as it will pay them better to return and take advantage of the policy in question.

We can see that the depositor's position is not quite so hopeless as it looks, and that if he care to study the situation he sometimes succeeds in adding slightly to his income, even if he cannot increase it very appreciably. The latter event, one need not add, is out of the question, but he should

certainly see that he gets the highest rates procurable.

The banks, we know, unless money is left on deposit for fixed periods, issue receipts, stating that the depositor, when he wishes to withdraw the sum, or any portion of it, must give seven or fourteen days' notice, as the case may be; but we are also aware that in normal times this notice is seldom or never enforced. It may be as well, however, to remind the reader that the cashier sometimes has a trick of deducting the days in question when notice of withdrawal has not been given, and it is therefore always advisable to check the interest carefully.

In some districts the banks issue pass-books to their depositors, and make up the interest at the close of each half-year. The interest is then added to the principal, when both bear interest together. This plan seems fairer to the customer, who is spared the trouble and inconvenience of presenting his deposit note from time to time in order that the interest be calculated and added to the principal. Moreover, when he neglects to do this, and does not take in his receipt for three or four years, he incurs a not incon

siderable loss. But the banks study their own profits and do not encourage the pass-book system. The customer then draws out the sums he requires by cheque, and is saved much bother as well as money in the shape of interest.

One might fill a chapter with other little points, but the objective of this book is to enable the customer to save his money; and those moves which are of practical use to him have been already discussed.

CHAPTER II

"THE DEPOSITOR AND GILT-EDGED SECURITIES"

FINANCE is a living and changing subject; and so sensitive is the money market that advice which is invaluable to-day may be stale to-morrow, and positively dangerous were one to act upon it three weeks hence. It follows, therefore, that a daily paper alone can keep its finger, so to speak, on the pulse of the market, and predict, with more or less *un*certainty, what the morrow will bring forth; but for a book, which is slowly written, and even, perhaps, more slowly printed, to attempt to tell the reader what to buy and what to sell is sheer nonsense; for a political upheaval, to quote only one disturbing influence, may entirely upset the calculations of the writer, who, at the best, can only explain certain so-called laws, which are constantly being rendered nugatory by

what he would quaintly call abnormal occurrences.

Do you think that the political economist would write books, or that the City editor would write articles, if he knew what stocks were going to rise or fall on the morrow? He would not be such a fool. He would plunge with his last sixpence; but as he does not know, and as he is fully aware that something abnormal may upset his nicest calculations, he argues,—

"I know the awful risks of speculation—that what looks a dead certainty to-night may prove a dismal failure in the morning, and that if I act upon the advice I give in my article I may be a bankrupt before the end of the month. Here, in the City office of the *Financial Adviser and Advertiser*, I am fairly comfortable. My bread-and-butter is safe. I get a commission on the advertisements which appear on my page; so, on the whole, I prefer to see my readers take the risk of either making or breaking themselves."

And this is the humble truth. The very fact that there are persons who write City articles should convince the most simple of their readers that the snares and pitfalls of

speculation are so multitudinous and inscrutable that, to a man who values his rest of a night, the game is not worth the candle. If it were, the City editor, it stands to reason, would not write articles. He would at once aspire to join, by easy stages, the select little *coterie* of millionaires, into whose presence, hat in hand, he is occasionally ushered by tall men in magnificent liveries. Though his articles be lively, he himself is humble when in the presence of the lucky few who have staked their all and seated themselves triumphantly upon the top of a column which may collapse at any moment. The City editor, as he glances up, feels that he ought to be there, that his soul yearns to be there; but he dare not aspire to such giddy heights, because the odds are ten thousand to one that he will never arrive, and that he will ruin himself in the attempt. Decidedly his readers should remember this when they read his articles. We know what happens when the blind lead the blind; but a guide with his eyes wide open can take a small ditch with ease and turn back when he comes to a river.

When a City editor harps too much on

honesty I cannot help thinking that the grapes must be distinctly sour; for in this world things seem to go by rule of contrary, and the man who openly boasts of his honesty is generally a rogue at heart. And the little imp astride the column, as he looks down upon the financial writer—how he must smile!

A certain City editor, whose salary was about £500 a year, found his position fairly lucrative. From time to time he wrote little paragraphs in praise of different mines; and when his readers came in, he unloaded his own holdings upon them through a broker. He is no longer a City editor, but is now seated upon a little column of his own. And how virulent his articles were when dealing with the methods of certain promoters and brokers! Righteous indignation, somehow, seems to strike a false note in finance. It reminds one of the gentleman, now a guest of His Majesty, who used to read prayers at his office before starting the day's work. The person who *advertises* his honesty should certainly be avoided. Things, more especially things abstract, are never quite as they appear in the prospectus.

The large papers, we know, pick their men; and, strange to say, were it known that a City editor speculated largely, he would probably lose his berth. They choose men of recognised integrity; and though, in all businesses, there are sure to be a few who transgress, the great majority of men thus selected are certain to be reliable. Each day facts and figures are given to the readers, and deductions are drawn therefrom. Though the conclusions are not necessarily correct, they are generally unbiased; and those persons who are interested in the markets must watch them day by day to keep in touch with every change, so, at least, the facts and figures are useful. Were the conclusions always accurate, then, as I have already said, the City editor would date his letters from Park Lane or straddle a column of his own.

I am writing early in October, and, at the moment, the depositor's opportunity to increase his income is so good that, even if the chain of events which brought it about be broken before this volume appears, he will at least have the mortification of seeing the golden opportunity he has let slip by, and

how greatly it would have been to his advantage had he studied the money article in his newspaper.

I am referring to the abnormal cheapness of so-called gilt-edged securities; and I say abnormal because, with cheap money and declining trade, the tendency of this variety should be in an upward direction. Of course, the recent large issue of Consols has increased the supply, and, consequently, kept down prices, while the continuation of the war, and the probability of a further issue, doubtless prevents an immediate rise; though there seems small doubt that the cessation of hostilities would produce quite a little "boom" in gilt-edged securities — more especially in Consols. Now, why does not the depositor take advantage of this state of affairs?

We all know that "When loanable capital is cheap, gilt-edged securities should advance." And they would have advanced had not the "unexpected" occurred. £60,000,000 of Consols were issued during the first half-year of 1901. A director of a huge bank, referring to this event, remarked,—

"Nor had the issue of Consols such im-

mediate effect on the money market as might have been expected from so large a transaction; but the two events together (the sensational fluctuations on the New York Stock Exchange) had left a decided backwash, which had shown itself ever since the turn of the half-year in the marked fall in the value of gilt-edged securities."

We hear great nonsense each half-year from some of the directors of our banks, but it would puzzle any one of them to make more blunders in fewer words. The issue in question did, of course, have an immediate effect on the money market, though, apparently, this director was too blind to see it.

Trade was beginning to wane during the period in question. Consequently, in the ordinary course of events, money would be transferred therefrom to gilt-edged securities, which, with an increased demand, would rise in price. But £60,000,000 of Consols are flung on the market, thereby increasing the supply, and we have seen that the demand was not sufficiently great to maintain Consols at their old figures. They fell, and other gilt-edged securities fell in sympathy with

them. Had this issue been made during the early part of 1900, when trade was very active, we might have seen the premier security at under 90; for people do not buy Consols largely when huge profits are being made in business. As it is, they have been as low as 91 this year.

It seems to me that the effect on the money market of this issue was both immediate and disastrous, in that it made loanable capital dear just at the very moment when producers were beginning to find their profits growing less, when, in the ordinary course of events, the Bank Rate would have fallen much lower, and so, at least, have eased the tension; whereas the Consols in question, by absorbing many millions from the market, made the boot pinch tighter. The market had less to lend just at the very moment when, but for this issue, supplies would have been plentiful; consequently, a great hardship has been imposed upon the producer who, indirectly, has paid a huge war tax through the disorganisation of the money market by the Government's disbursements towards an ill-managed war. The following table tells its own tale:—

BANK OF ENGLAND MINIMUM RATES OF DISCOUNT.

1900.

11th January, 5 per cent.	24th May, $3\frac{1}{2}$ per cent.
18th January, $4\frac{1}{2}$ per cent.	14th June, 3 per cent.
25th January, 4 per cent.	19th July, 4 per cent.

1901.

3rd January, 5 per cent.	21st February, 4 per cent.
7th February, $4\frac{1}{2}$ per cent.	6th June, $3\frac{1}{2}$ per cent.

13th June, 3 per cent.

In November 1899 the Bank Rate stood at 6 per cent. Trade then was good, and money would have been dear under normal conditions, but our reverses in South Africa undoubtedly shook the confidence of the foreign investor, and made the bank anxious *à propos* of its reserve; consequently, but for the war, we should never have seen so high an official minimum as 6. This sense of insecurity, I think, influenced the rates during 1900, and made loans and discounts dearer for the customer than would otherwise have been the case.

Now we come to 1901. The new loan was issued towards the end of April, and the £30,000,000 offered to the public was applied for some eight times over, no less than £20,000,000, it was said, having been

applied for from America. This proved clearly enough that money was plentiful, that there were millions of pounds in the country awaiting a favourable opportunity for investment; yet, despite slackening trade, the Bank Rate remained at 4 until the 6th June, when it fell to 3½. The issue was made at 94, and Goschens fell sharply on the announcement.

But for this issue and the war we should not have seen the high bank rates which have prevailed during the current year, and at the moment we should doubtless have had with us a 2½ or even a 2 per cent. official minimum; and yet a bank chairman declared the issue "had no such immediate effect as might have been expected." We can see that it had, and can only wonder at his preposterous statement.

Seeing that the trade of this country is conducted largely through the medium of bills of exchange, it will be at once apparent that the customers of the banks have suffered substantial loss through the war and the consequent issue of Consols, which has supported high discount rates in the face of falling prices and declining profits. Their

customers, but for this upheaval, would certainly have had the satisfaction of paying less for their loans and discounts, whilst, as it is, they are compelled to bear the entire burden, to make less profit on their goods, and to pay a war tax on their bills and loans into the bargain. How extremely unpleasant is the humble truth, and how unpopular is the person who assumes to dabble in it!

The banks, however, have not escaped quite scathless, for they suffered a sharp temporary diminution in the value of their gilt-edged securities; still, on the other hand, their loanable capital (deposits) was subjected to an unhealthy inflation, but their customers have paid them back their losses many times over. Indeed, the banks, so far, have profited by the war.

Since the 13th June, however, the Bank Rate has been at 3; and a 3 per cent. official minimum, together with declining trade, seems to point to reduced profits for the half-year ending December next. All eyes are now fixed upon South Africa; and one does not like to hint that it will take many years to repair the ravages of war, and to bring production there into full swing again; but

it will, for it is certainly a novel idea to expect that an army of occupation will prove an incentive to trade—that directly the war is over South Africa will immediately flourish like a green bay tree. She will have to let her wounds heal first; and very probably we shall have to pay part of the doctor's bill with more Consols early in 1902. Speculators might do worse than remember this when the first news of peace sends things South African booming, for the danger of a reaction seems not inconsiderable. The banks have had their harvest from the war, and it is now a question whether a few lean half-years are not in store for them.

For the purposes of this chapter we may divide the depositors of the banks into two classes. Firstly, there are those customers who, at certain seasons of the year, find their current accounts largely in credit, and wishing to obtain some return upon their balances, they transfer money therefrom to deposit. But this transfer is of a purely temporary nature, and in a few weeks or months, as the case may be, the money is again required for trade purposes, when the interest is calculated upon the receipt, and both interest and

principal are credited to the current account. Then, again, there are those persons, with money on deposit, who are awaiting the opportunity of investing it advantageously; and we do not suppose that all have waited in vain, for the market is teeming with cheap and desirable investments.

In the City, though there are probably more careless depositors than the public imagines, and though the banks, both joint-stock and private, doubtless possess huge sums in the shape of unclaimed deposits, the tendency certainly is to deposit temporarily with them. But when we reach the suburbs, this tendency, if it does not disappear, lessens considerably.

One is an atom in the City—a mere atom whom nobody knows and for whom nobody cares; for the City is too busy to trouble itself about individuals except quite in the abstract. Dead, is he? Then bundle him into a cart! Living, take him to the 'orspital then, and don't interrupt the traffic! That is how the City, with its teeming millions, regards the atom who either does, or does not, interrupt the traffic. To some it is a joy to be an atom in a great city; to others the

environment is most painful—a mere question of temperament.

But in the suburbs one becomes more of an individual. The streets actually have their idols, human, of course; and the City atom is metamorphosed into an individual, at least in one street, *if* he be at all sociable; consequently the bank-agent knows his customers in the suburbs, shakes hands with them in the street, inquires how they are, and cultivates a nice "bank" smile for the benefit of suburban big-wigs who are an indefinite something in the City, but more especially for their wives in the suburbs. The poor man, in short, has to make himself popular. He must often find his situation an extremely trying one, for Mrs Suburban occasionally gives herself great airs.

Undoubtedly, in suburbia, the banks get some nice little pickings; and their customers should remember that the smiling agent has two prices for his goods, and that it is possible to make very close bargains with him.

In the country one is an individual. The parson says, "How are you? Didn't see you at church last Sunday. Have you heard

about poor Mr Stokes's misfortune? So sad for the family." The curate waves his umbrella to you from the other side of the street; the small boy touches his hat; and should you faint, the traffic is the last consideration of the little crowd that collects round you, while your name is passed from the one to the other with astonishing frequency, the attitude of the crowd being distinctly sympathetic. Even the policeman sighs. Small wonder, then, that some folk should prefer being an atom to an individual.

Secondly, and this class is much more numerous than the outsider imagines, there are those depositors who have their hundreds, and, in many instances, thousands of pounds with the banks as a kind of investment, without troubling to take advantage of opportunities like the present. Now, this class of depositor, if he like, can at the moment invest in British Government Securities which will yield him a much better return than the banks' deposit rate, and it is surprising that he does not study the market with greater care. The following list will illustrate my contention :—

	Yearly Dividend.	Present Price (October).	Yield % per annum.			London Bankers' Deposit Rate.		Country Deposit Rate.	
	%		£	s.	d.	£	s.	£ s.	£
Consols, $2\frac{1}{2}$ per cent., 1903	$2\frac{3}{4}$	$93\frac{1}{4}$	2	19	0	1	10 %	1 10 to	2 %
Two-and-a-half per Cents.	$2\frac{1}{2}$	$94\frac{1}{2}$	2	12	10		,,	,,	,,
Local Loans, 3 per cent.	3	100	3	0	0		,,	,,	,,
India 3 per Cent. Stock .	3	$98\frac{3}{4}$	3	0	9		,,	,,	,,
Manchester Corporation .	3	100	3	0	0		,,	,,	,,
Great Western Ry. Deb. .	$2\frac{1}{2}$	$84\frac{1}{2}$	3	0	0		,,	,,	,,
Eastbourne Corporation .	3	94	3	3	6		,,	,,	,,

Of course, there is a much wider field to choose from than the list here given, and, naturally, the banks do not draw the attention of their depositors to this state of affairs; but I take the liberty of doing so, and I can hardly conceive that some will not follow my advice, for surely Consols at, say, 94 are much more desirable than $1\frac{1}{2}$ on deposit with a banking company which hardly offers the same security as the Government.

Moreover, the advantage does not rest here. For as money cheapens, gilt-edged securities are, under normal conditions, certain to rise, whereas the deposit rate is bound to fall; consequently, if the depositor accepts this "tip," he should not only increase his income, but he should also add to his capital.

We have seen that, during certain years, the depositor can invest his savings much more advantageously in gilt-edged securities. During periods of brisk trade and rising prices he should certainly read his money article carefully, as it is then when we should expect to see this variety of securities depressed; for it is much better, even though the deposit rate is sure to be high at the time, to invest in securities which always pay the same dividend than to keep one's money at a bank whose rate ranges from say 4 per cent down to ½ per cent., and which gives one no security whatsoever beyond an equal claim on the assets of the company with the customers and upon the uncalled capital for which the members are liable.

For instance, the average Bank Rate from 1895 to 1899, both years inclusive, was £2, 16s. 5d. The average advertised deposit rate, therefore, would have been 1½ below—to wit, £1, 6s. 5d. Who, in the face of this evidence, would not rather buy Consols at under 100?

Finally, we arrive at the probable duration of the depression of gilt-edged securities

in the face of declining trade; and here no definite conclusion can be made. Peace, no doubt, would give them a lift, but a subsequent issue of Consols might depress them temporarily again, though to what extent it is impossible to say. The depositor, however, should certainly take advantage of the present situation if he be able, and he should watch the market closely during the early part of 1902.

The small depositor, too, might remember that the Post Office Savings Bank allows 2½ per cent.; and why he should prefer the bankers' miserly 1½ is a mystery which perhaps he alone can explain.

CHAPTER III

LONDON CUSTOMERS

THE last thing one would expect to find in the network of streets around the Bank is that abstract attribute so closely allied to ignorance, and smilingly called, by the experienced and superior, innocence. Can there be innocence in Throgmorton Street, in Old Broad Street, in Gracechurch Street, and in Whitechapel? Does it permeate the Strand, and flow thence, by innumerable channels, into Piccadilly, Regent Street, Oxford Street, until it empties itself into the ponds on Hampstead Heath?

There are two varieties of innocence—to wit, City innocence and provincial innocence—and that holds this in supreme contempt, which is somewhat astonishing to a person who is acquainted with both varieties. There is also another variety, I believe, which is

quaintly called damned innocence, and that you will find in Lombard Street when you call upon a bank manager with reference to your charges.

This is an age of specialisation; consequently the man who has decided to enter a certain business must make a particular branch of it his own. In his own groove he may be an excellent man, but take him out of that groove and he instantly loses his habitual decision, because, though he can tell to a nicety how a particular spring works, his knowledge of the machine as a whole is faulty.

And so it is with a shrewd man of business. He knows his own trade, but he has only hazy ideas about the business of a banker; and, moreover, many of those ideas are certain to be wrong, consequently he wants expert opinion, such as this book supplies. It is no disgrace to his intelligence that he is not acquainted with those things which are outside his ordinary work. Hence the innocence on banking matters to which I have alluded, and which is undoubtedly prevalent in the City.

Specialisation sheds a fierce light upon

one little division of a subject, but the rest, in consequence, is robbed of its fair proportion; therefore London may well be called the city of outer darkness, for each man's attention is absorbed in his own narrow groove, and, moreover, it pays him better to employ his energy in this manner. One can stand outside and form a more or less incorrect conception of that heterogeneous mass called London, but it would require a master mind to gather all the strings into his hands, and recognising the impossibility of the task, mere men become specialists. In this manner the great confess their weakness and show their sense.

A banker is a middleman, who, trading with an insignificant capital in comparison with his heavy liabilities, brings together lender and borrower, but his credit is so good that lenders, because he grants them banking facilities and performs various other little services for them, are prepared to entrust him with millions of money absolutely free of interest. These many millions, in so far as their owners are concerned, are largely employed for the benefit of shareholders and directors.

In short, the policy of our banks is a policy of grab, at which the middleman was ever an adept. They borrow from the public as cheaply as possible, allowing some this rate and some that; and they lend to their customers at the highest rates procurable, charging one 5, another 4½, and others 3, when the Bank Rate is at, say, 3 per cent. By this means huge dividends are paid upon a small paid-up capital.

Some of my readers may be surprised to hear that competition is extremely fierce between bank and bank in London. Branch banks, during the last fifteen years, have multiplied exceedingly; and, much to the disgust of certain great City banks, whose bank manners were not above reproach in their early youth, touting bank managers have made their appearance within a stone's throw of the disdainful Old Lady in Threadneedle Street, who has always frowned upon, as she considers them, the new companies.

A few of the really large banks are endeavouring to make a stand against what they quaintly call the grasping tendency now being displayed by the better informed among their customers, and they are losing

clients through it; consequently, if the drain continues, and should it assume more serious proportions, they will have to either adopt the methods of their rivals or to engineer a corner among themselves.

Now, the banks distrust each other, as is quite natural that they should, seeing how intimately acquainted they are with the devious tricks of the trade; and it is an edifying spectacle to see them quarrelling over their rates in London, while to hear a manager discussing the virtues of his rival is extremely diverting, especially when one remembers that the remarks are so distinctly applicable to the speaker.

During the last two years, in my earnest endeavour to reduce their customers' charges, I have come into touch indirectly with most of the London banks, so perhaps now they will recognise their kind friend; and with one or two exceptions, a little pressure, I am charmed to record, induced them to assume a most conciliatory and pleasant attitude, thereby increasing my admiration of their "banking" discretion, for when they proved obstinate, better terms were procured elsewhere quite easily.

In London, as we all know, the "loan system" is much in evidence. It would be more correct to say "in the City"; for as we leave the sacred precincts of the bank, this custom gradually merges into the usual overdraft on current account with the customary commission on the turnover, which varies from $\frac{1}{8}$ per cent. to a merely nominal one, according to the amount of resistance displayed by the client.

It is evident, then, that a bank which adopts the loan system at its head office in Lombard Street or in Threadneedle Street, may be advancing on current account at its branch offices at, say, Charing Cross, Oxford Street, Aldersgate Street or Whitechapel; and in many instances the ledgers of the banks would show a curious medley of the two systems, according to the arrangement made by the customers with the bank agent when they settled the advance. If nothing be said concerning the form the advance is to take, then the manager adopts the one which he thinks will prove the more profitable to his firm.

We have first to consider the "loan account" system. Here the advance takes

the form of a loan. Suppose the said loan be for £20,000. The bank then credits the customer's current account with the said sum, and debits it to a "loan account" in his name in another ledger.

Now, interest is calculated upon the loan at, we will assume, 4 per cent; therefore, at the end of the half-year, the customer's account, roughly speaking, is debited with £400. But suppose, during the half-year in question, that his current account was never less than £10,000 in credit. In that case he has paid his banker £200 for conducting his account during the half-year.

Commission, we are constantly told, is not charged in the City; and the City man smiles in that superior way of his, confident that only the provincial can be "had" by "those bankers," when, perhaps, he is paying much more through his own nose by the system in question. "A rose, by any other name, would smell as sweet," the poet sings. So evidently think the banks who call it "interest" in London. And to think that some of their customers' sense of smell is so defective.

Did the banks charge commission as well

as interest on these "loan accounts" London banking would indeed be a profitable business. Now we have to search for a remedy which will obviate the defect in question. There are two, viz. :—

I. When the current account is largely in credit, the customer can transfer sums from his running to his "loan" account, thereby reducing its balance, and, consequently, lessening the "interest" otherwise due to the banker. Then, when his current account gets low, he increases his loan, and replenishes his drawing account therefrom. A penny stamp need not be placed upon the order to the banker.

II. He can demand interest upon his daily creditor balances at the same rate as the loan. By this means he pays interest upon the exact amount he borrows; and should he think that the banker is entitled to a small commission, he can arrange a fair one; though he might remember that, if his account be a large one, any bank in London would be

ready to consider it were he to give the manager a call.

The first suggestion would be made to him by the manager should he approach him on the subject; therefore we may safely conclude that of the two evils, from the bank's point of view, the former is the lesser. The nicest people are not in the habit of making suggestions which cut into their own profits; and the nicest bank manager would not retain his berth long were he to give disinterested advice. That privilege has been reserved for me.

He reasons that the customer is a busy man, who cannot be continually bothering to transfer sums from one account to the other. Just at first he will be remarkably keen; but by-and-by he will become impatient, and, in the end, he will cease to trouble, when the bank reaps the advantage. A wily manager, therefore, dwells eloquently upon the advantages which are to be derived from remedy No. I., which, he explains, is fair to both client and banker. Just so! I have been told much the same kind of thing by a publisher.

I myself strongly recommend preventative

No. II. to my readers. The customer has no bother; he knows exactly what he is paying; and, moreover, in this instance, the arrangement is "as fair to the client as it is to the banker," whereas in the other case it most decidedly is not. But the mere fact of an interested person making such a suggestion ought to convince one to the contrary. This I explained to a London client of my own to whom the argument was advanced by the manager, but he insisted upon the equity of remedy No. II.; and the manager, when told that the account would be removed unless he gave way, came round to his manner of thinking. The process of reasoning may not have been perfect, but it proved wonderfully effective.

We next arrive at the "overdraft" system. Here the customer arranges through the manager for an advance of, say, £5000, and deposits his securities. He may overdraw his account to the extent of £5000, which is called his "limit"; and if he issues cheques, which, when presented, would, if paid, overdraw the account beyond the said amount, the manager dishonours them. The balances

are extended daily; so if, at the end of the day, the account be overdrawn £2000, he is charged interest thereupon, and not upon the £5000, as would have been the case had he opened a "loan" account. The customer, then, by this system, only pays interest upon the exact sum he borrows, and the arrangement could not be fairer.

The bank, however, charges commission upon the turnover, when it can get it, with this variety of account; and as both interest and commission are lumped together, and debited in the pass-book as "Charges, so much," the client, unless he be up to their queer little customs, does not really know what he is paying. Of course, he should check his charges most carefully, and insist upon knowing the exact rates of both interest and commission, so that he can make the necessary calculations. Many banks make up their "charges" in such a manner that it is impossible for the client to verify them unless he first ask the manager for a more detailed statement; and it need hardly be said that those companies which encourage such a system can only have one objective. If your charges be entered in your bank-book

in this fashion, then you will be well advised to check them most carefully, for very possibly you will make some most interesting little discoveries.

With reference to the rates of commission, it is a question of bargaining. Very possibly, if the account be largely overdrawn, and the bank well secured, the manager will charge no commission whatsoever; and if he refuse, there are a dozen powerful London banks that will accede to your request.

Nor need the customer who has only a small overdraft despair. He can take his securities to the cheapest market; and if he decide to do so, he will find that there are plenty of banks which will work a small overdrawn account free in London—free, that is to say, of commission.

The rate of interest, again, is of paramount importance to the borrower, who naturally wishes to know, taking into consideration the nature of his account and securities deposited, the lowest quotation he can obtain from a banker; for every penny he pays in the shape of interest appears on the wrong side of his profit-and-loss account when he makes up his books, and it takes a deal of

profit to wipe out heavy interest charges, which seriously handicap a business, and sometimes even ruin the proprietor, who cannot, therefore, be too eager to get the lowest rates.

The London banks profess to charge 1 per cent. above the Bank of England's published rate of discount; but it is an easy matter to reduce this to ½ above, or to Bank Rate itself, and, under circumstances which will be explained later, to obtain better terms still.

Upon a well-covered loan or advance the following arrangement is often made:—

> "Bank Rate, with a minimum of 3 or 3½, and a maximum rate of 5."

Should the official minimum, under this arrangement, be at 2, 2½ or 3, then your banker charges you 3 or 3½. When it stands above 3 or 3½ he charges you the same rate, but he never exceeds the agreed maximum, 5; so should the Bank Rate go to 5½ or 6, you still pay 5 per cent. on your loan. Of course, if your advance be arranged on the "overdraft" system, you will take care not to pay any commission on your turnover, and that no "charges" are lumped in with your interest.

It may happen that your security is not tangible, that, in other words, it could not be sold on the Stock Exchange at a moment's notice; or, perhaps, it consists of houses and land which, were a sale forced, could only be disposed of "at a price." Again, you may deposit with your banker some tangible securities, together with a certain proportion of deeds of house property, etc.

What I am most anxious to impress upon the reader is that he has a "free market" to which to take his goods. It is impossible for me to say what *his* banker will charge, unless I know the name of that banker; but one does know about what rates he can obtain from certain large banks in London.

If a customer does a very large business, and his account is a most desirable one to keep on the books, his banker will meet him much more readily than he wou.d a small man, even though the securities he possesses are not quite of the best from a banker's standpoint. Such a man, without much trouble, can make the arrangement above given; and if he be determined to reduce his interest to the lowest possible figures he may possibly do even better.

He first interviews the manager of the company where he keeps his account, and obtains from him the lowest rates at which his directors will make the advance or loan. The manager will not tell him there and then, but in the course of a few days he hears what "my directors" are prepared to do, and as he reads—he smiles.

He next selects four or five likely banks, and, pass-book in hand, calls upon the various managers when he has half-an-hour to spare. Here, again, each tells him, two or three days after his visit, just what "my directors" will do for him. He is not in a hurry. He has called here one day, there that, and by-and-by he finds himself the possessor of five most interesting letters, which, upon a particular evening, he reads in his study at home.

This one, he thinks, will go a little lower; so on the morrow he writes to the manager, and, in a day or so, perhaps, hears that "my directors" are willing. Not wishing, for certain sentimental reasons, to leave his own bank, he calls on the manager, tells him exactly what terms he can get elsewhere, politely intimates that during his stay upon

this earth it is his firm intention to buy in the cheapest market, and suggests that "my directors" may possibly come down a little.

"I'll try them," says the gentleman in the "official" arm-chair.

"Do," returns the client, "they're human."

"Most," agrees the manager.

"Then they'll be reasonable," suggests the customer, drily. "Human people always are. It's only your sentimental director who flings away the half loaf for the benefit of a rival baker. Good morning!"

Presently the client hears the final decision of "my directors," when he considers whether or not he will accept their offer. If it be very near to the offer made by that of the rival he intended considering seriously, he remains, and should the difference in price be appreciable, he naturally removes his account.

I can further illustrate this phase by the experience of a client of my own. His securities were partly tangible and partly in house property, and the "loan" against them was for £12,000. His bank charged him ½ per cent. above Bank Rate, with a minimum of 4 per cent., so he paid 5½ and 6½

per cent. on the "loan" when high rates were prevalent during the latter part of '99.

He wrote me on the subject about July 1900, and at our interview I suggested two or three banks in London which would probably grant him the accommodation at a lower rate of interest. In the end he obtained an "overdraft" for the same figures at the following rates:—

"Bank Rate, with a minimum of $3\frac{1}{2}$ per cent., and a maximum of 5."

His own banker, in this instance, refused to meet him, so he transferred his account elsewhere. Both banking companies are within five minutes' walk of the Bank of England. His account was a large one, the turnover for the half-year being over £70,000, and the bank to which he transferred it agreed to work the account absolutely free of commission. The interest was calculated on the daily debtor balances.

I next come to mixed accounts. By mixed I mean those accounts which are at certain seasons largely in credit, and at other times perhaps somewhat heavily overdrawn. The banker, unless a special arrangement be made with him, has a peculiar habit of

totally ignoring the large creditor balances, though he is careful to charge ½ or 1 per cent. above Bank Rate upon the debtor ones of an easy-going customer, while he sometimes debits a small nominal commission into the bargain.

Of course, this is extremely pleasant for the members and directors; but the customer, after all, has only himself to blame, and should see that if, at times, his account is largely in credit, the manager makes him some allowance. If he decline, others of his banking kind will be most pleased to discuss the situation with the client. The Old Lady in Threadneedle Street might not receive him very graciously, but her excepted, his banking welcome would be of the heartiest — cordial even — from Lombard Street down to the bottom of the Strand.

Now, take a customer's account which is always in credit, the daily balances sometimes touching £20,000 when he is collecting his debts, and receding to, say, £5000 at that season of the year when he pays out largely. The annual turnover, we will assume, is £160,000, and the banker works the account free.

But in these competitive days the client should demand interest thereupon, for it is evident that the banker, by employing the average balance in his own business, is making considerably more interest than that to which he is entitled for the free working of the account. The customer, therefore, should approach the manager and ask him the minimum daily balance for which he will work his account free of charge.

The agent, seeing that he is in earnest, says £1000. To this the client agrees, stipulating that he be allowed 1½ per cent. below Bank Rate upon all money in excess of the said £1000. Assuming that his average daily balance works out at £10,000 for the year, then, broadly speaking, the banker allows him 1½ below Bank Rate upon £9000; and if the official minimum showed an average for the year of about 3½ per cent., the client's account would be credited with something like £180 during the year. Of course, this calculation is a rough one.

This arrangement seems fair to both banker and client alike, for the banker would earn, say, during the year in question, £30 upon the balance of £1000; and he

would also have a margin of $1\frac{1}{2}$ between the interest he allowed his client and the Bank of England rate of discount. Seeing that he advances at $\frac{1}{2}$ and 1 per cent. above Bank Rate, according to the business experience of the customer, it appears that such an account should pay him extremely well.

But, it will be said, London bankers do not allow interest upon creditor current-account balances. Do they not? The following experience of a client of my own may prove instructive upon that point:—

His account was very similar to the one described above, and he banked with one of the most powerful of the London and provincial banking companies at a branch bank within eight minutes' walk of Lombard Street. The bank in question, after some little hesitation, agreed to work the account free on an average creditor balance of £2000 being kept, the customer to receive deposit rate on every pound above the said £2000.

I advised him to visit other managers, and he did. One or two declined to consider the account on this basis, saying that they did not allow interest upon current-account balances, but only on deposit receipt.

Others were quite ready to entertain his proposal, and one offered to work the account free for an average balance of £500, and to allow deposit rate on every pound beyond. This offer was accepted, and both the bank he left and the one to which the account was transferred are "clearing" institutions.

Personally, I was astonished—and I daresay that some of my readers will be—for the difference is striking. It only remains to be said that the account was a large one, and well worth having on the books of a bank.

A purely London bank, I know, which is a member of the Clearing House, arranged with a client, whose annual turnover is about £200,000, that he should keep a balance of £2000 in order that his account be worked free. Upon his mentioning the fact to me I related to him the above story, and at his request I gave him the name of the bank, when he somewhat forcibly remarked that he meant to have a something try there himself.

A really large firm, which borrows to the extent of £300,000 or £400,000 at certain

periods, would experience very little difficulty in getting fine rates; and large Corporations not only make very close bargains with the banks, but in some instances they demand security from them. Further, certain Public Bodies have actually invited them to tender for their accounts; and if one or two refused the invitation, many responded, whilst, in the provinces, to my knowledge, a deputation from a particular Town Council called upon most of the bank managers in the place and accepted the lowest offer made to them.

Why do not the Railway Companies begin? Surely the account of a large railway, did its directors decide to reduce its bankers' charges, would be eagerly sought after by the banks, who would positively jump over each other in their anxiety to secure so desirable a prize. Lombard Street itself would be in a ferment, and bank directors, hat in hand, would be besieging the secretary's office with tenders. Banking dignity, at so supreme a moment, would be lightly brushed aside, and directors, in their haste to be first, might even forget their hats—and the minute calculations that would be made by general managers for the considera-

tion of their Boards! Can't we do it a little cheaper? Can't we do it a little cheaper? Yes; a large railway company really ought to put its account up to auction in Lombard Street, and thereby save its members hundreds of pounds.

My readers will see at once that they must bargain with their banker if they want good terms. The proverbial old lady, we know, likes to be robbed. Indeed, it is possible that she would not be quite happy unless she were, so she may be left to hand over her balance of £10,000, free of interest, to the polite agent, in exchange for one of his nice "bank" smiles. For she is so extremely garrulous, even troublesome at times, that there is no occasion to envy the poor man as he gaily sallies forth from behind the counter to bow his head and do her banking homage—and to smile! smile! smile!

What I am anxious to emphasise, whether the account be debtor or creditor, is that the man who can bargain best gets the most favourable terms; and I have not the slightest doubt that, if my readers will do as I suggest, they will save themselves

from £5 to £500 per annum, according to the magnitude of the account.

Finally, we come to the suburbs. In London competition is decidedly fierce, even in the heart of the City, and the further we roam from the Old Lady in Threadneedle Street, the fiercer it becomes, until, arriving in the suburbs, circulars appear on our breakfast-tables, and, if we be rich, smiling agents walk right up to our door-bells and ring them; for the good men's respect for wealth overcomes their banking modesty, and, also, that other attribute which they quaintly call their "professional" pride.

When a small tradesman opens a shop they call upon him, just as they do in the provinces, and he should endeavour to make special terms with them. I can give an illustration of this. Some few months ago I bought a few articles in a shop—a suburban shop—and wishing to find out a little about the banks, I made inquiries there. The owner, it transpired, paid $\frac{1}{8}$ commission on his turnover; so I told him that, if he raised an objection, he would probably find that the bank would work his account free. He thanked me and expressed his doubt.

"To *you*," he said to me, when I purchased an article some few weeks later, "the price is three-and-six."

His kind manner quite startled me. I am terribly suspicious of kindness in any form—a relation did me one once. Then, again, the "you" was pronounced in so friendly a manner that it made me nervous and apprehensive.

"Did I leave my change behind last time?" I inquired, thinking that he might have developed a conscience in the interval.

"They did it," he explained.

"Who?" I wanted to know.

"The Bank," he replied.

Then his extraordinary demonstration of good-will was intelligible to me, and I did not neglect to inquire further into the source whence it sprang, when it transpired that the manager, after offering to reduce his commission rate to $\frac{1}{16}$, finally consented to work his account free. He generally had a balance of about £80 to £100 he said, and his turnover was something like £1000 each half-year, so he saved himself about £2, 10s. per annum.

Suburban banking, with the exception of

the deposit rate being $1\frac{1}{2}$ below Bank Rate, is practically the same as country banking, which will be discussed in a following chapter. The banks cluster thickly in the suburbs; each is the rival of the other, and the customer whose account is worth having will, if he wish to obtain lowest terms, find that, by adopting the tactics mentioned in this volume, they are easily procurable. The manager will, when he tackles him, recommend this, that and the other, for many years behind a bank counter have rendered him automatically perfect in the tricks of his trade; and he will bring forth one suggestion after another with a glibness that may puzzle a "grasping" client, who, however, should stick to his guns and let him see that he is dealing with a man who knows every trick under the table.

When the agent declines to reduce either his commission or his interest, or to make an allowance upon his creditor balances, he should smile benignly upon him, gently remind him that the bank a few yards down the street is both convenient and accessible, and give him to understand mildly, but with some firmness, that he intends

taking a walking tour among the banks of the district. So ominous a threat should bring him to reason, for it would occur to him that, after so interesting and instructive a little suburban banking tour, the customer might return with his appetite considerably stimulated, and with a capacity for grab excelled only by that of his own directors.

A banker obviously makes the major part of his profit on loans, advances, and bills discounted. In other words, this is the most profitable part of his business; consequently, he is always eager to consider a well-secured advance, for though his own working resources are limited, and the demand for loans is greatly in excess of the supply, I venture to assert that loans, covered by tangible securities, are very far from being a drug on the market, and that the fortunate possessor of such securities can, broadly speaking, choose his own banker and make his own terms.

Of course I am not referring to our friends the speculative builders, whose wants are usually supplied by the Building Societies, or to the small tradesman who tries to borrow upon indifferent security. The banks

want reasonably safe business, and have no place in their system for either, therefore the small man has to struggle on as best he can, or to accept those terms which any bank may dictate to him; for his making the little tour suggested in these pages could only have one result, and that failure. His soul would be sad and his heart sick before he had covered one street either in the suburbs or in the provinces, and the result would be severe depression, not stimulation, when, footsore and weary, he returned home to the wife of his bosom, or called to his aid the glass that cheers. But this question will be discussed more fully in a later chapter.

There is perhaps one other little custom which calls for attention in this chapter, and that is the fact that some London banks do not credit the account with country cheques until two clear days have elapsed—that is to say, until they are "cleared." The client, when he wishes to draw against these cheques at once, makes an arrangement to that effect with his banker, and he should decline to pay interest for the privilege.

Again, commission is deducted from all Scotch and Irish cheques. This custom is

simply iniquitous, for the English companies help the Scotch and Irish banks to fleece their own customers, and then share in the plunder with them. The same thing occurs in the provinces. Indeed, the banks grab a commission wherever they see an opportunity; consequently, the customer cannot examine his pass-book and check his charges too carefully.

Finally, we know that the banks advance large sums to members of the Stock Exchange, who, in their turn, assist their own clients; and here, again, care should be taken that the finest quotations are obtained.

Advances, too, are made against bills of lading and like documents. As a rule, the banks require a margin of about 25 per cent.; and a customer, whose credit is good, generally pays, say, ½ above Bank Rate, with a minimum of 3½, though very probably were he to bring pressure to bear a lower rate would be quoted, and failing that, a little banking tour might produce the desired result.

CHAPTER IV

DISCOUNTING IN LONDON AND THE PROVINCES

MANY customers, both in London and in the provinces, were they thoroughly acquainted with the discount market, would find themselves in a position to save considerable sums, which now find their way to the creditor side of the profit-and-loss accounts of the banks. It is therefore my intention to enter somewhat fully into the intricacies of discounting, and when the facts are plainly stated, what once appeared a hopeless tangle will seem a very simple business, for it must be remembered that mystery pays the banks, that they fatten upon it as do a few fortunate writers of fiction.

Each day the market rates of discount are given in the papers; and, presently, we shall have to consider how those rates are ob-

tained, but, for the moment, we will take them as we find them. First we get "bank bills," which, in the balance-sheets of the banks, are called "acceptances," and consist of short drafts of country bankers upon their London agents, bills accepted or endorsed by the banks for their customers here and abroad, acceptances for foreign and colonial banking companies. These bills are largely in the hands of the bill-brokers, who, seeing that they are guaranteed by the banks, discount them at very low rates.

We next get "fine trade bills," and it is this variety which will prove of interest to my readers. These bills are either accepted or endorsed by well-known firms whose credit is so good that, so far as things are certain upon this little island, bill-brokers and bankers are confident that they will be paid at maturity; consequently, the thought of loss connected therewith does not enter into their calculations, and such bills are discounted solely in accordance with the value of money at the time.

To-day is Wednesday, October 23rd; the Bank Rate is at 3, and the condition of the market is such as to make it fairly effective,

The following list is taken from a leading morning paper :—

3	months'	fine	trade	bills,	$2\frac{3}{4}$	to	3
4	"	"	"	"	3	"	$3\frac{1}{2}$
6	"	"	"	"	$3\frac{1}{4}$	"	$3\frac{1}{2}$

Now, the customer wants to know if he can get better terms than the above, and if his own credit be good I have not the slightest hesitation in assuring him that he can. Competition for really good paper is as keen as that for well-secured advances, and the customer, when discounting undoubted bills, should see that he gets special rates, for some banks charge one client this rate and another that, according to their belief in his gullibility.

A large customer, whose account is worth keeping, will experience little difficulty in reducing his discount rate; but if he do, then a little banking tour, as suggested in the previous chapter, will soon open his eyes to the real state of affairs. For instance, take the rates given in the above-mentioned table. A large client, were he determined, could probably reduce his discount rate on the three months' bills to $2\frac{1}{2}$, on the four months'

to $2\frac{3}{4}$, and on the six months' bills to 3. He might do even better were he to show a very firm front.

Then, it will be said, the rates in the papers are not quite reliable, or, at least, not quite the lowest; and that is precisely so, for the bank managers, when the City editors call upon them, would hardly give those gentlemen their special rates to advertise in the columns of their papers. Were they to do so, their profits would fall away considerably, because, on the morrow, many of their clients would pay them a visit and request that their names be added to those of the privileged few.

The banks advertise largely; and, naturally, business men do not go out of their way to offend advertisers. Papers are not run on a philanthropic basis. They are printed, like this book, for profit. And then, again, it is quite possible that City editors are not aware of this state of affairs; and it is equally probable that they would not refer thereto if they were, for the man who did would not be again received by a smiling bank agent.

"Mr S.," the banks would say, "is indiscreet." And Mr S. would have to seek

another sphere of usefulness, for it is absurd to expect the banks to open their doors to men who give away their secrets. This honour, again, has been reserved for me, and I myself should be somewhat nervous at making calls in Lombard Street, where the banking welcome extended to me would not be of the heartiest, though the religion of the country *is* Christian. But the temper of the Christian is really quite as objectionable, and his language equally as offensive, upon occasion, as that of a poor heathen with an untutored mind, whose garments are neither well cut nor superabundant.

The City editor has three sources of information open to him, and they are—the banker, the bill-broker, and the customer. The first we have already discussed. The bill-broker, when he makes a close bargain with a bank, is not anxious to advertise the fact, because, if he do, his own customers will want their rates reduced; and, secondly, he would know very well that, unless he held his tongue, he might not be able to make a similar bargain at some future date. The customer, so long as his own rates are low, does not much care how other customers are

treated, and, if he mentions the fact, just does so quite in a whisper to a friend, with an admonition to keep it quiet, and the friend seals the compact with a knowing wink of his eye, and a—

"Thank you, old man. I'll remember that."

From various causes the Bank of England rate of discount is not always effective, but we need not enter into that discussion here, or touch upon the steps it sometimes takes to make it so, though the bill-brokers and discount houses, should the banks be short of loanable capital, sometimes have to pay ½ and 1 per cent. above the official rate when they are driven to the bank, and are somewhat sore in consequence.

The banks, however, though they often refuse bills from the brokers, never refuse to discount for their own current-account customers, who should make special bargains with them. A rival bank, for the sake of getting an account, will sometimes quote very fine rates; and your present banker, when you bring the fact to his knowledge, will probably offer you similar terms in order to keep your account on his books.

To current-account customers I would suggest Bank Rate with a maximum of 5. Of course, this is only a suggestion. Some may be in a position to command better terms; others possibly cannot do so well; but every reader can see just how matters stand, and consider whether it be worth his while to make a move.

The banks, when they discount bills for their customers, invariably make inquiries of the acceptors' bankers whether they are in a position to meet them at maturity; and the answers they receive are entered in a book kept for the purpose. Should the reply be unsatisfactory, the bill would be refused unless the position of their own customer were undoubted, when, of course, nothing would be said.

A rather interesting story of a customer, who had read one of my books, was told to me by a friend. He called upon his banker in the City and reduced the rate he was then paying. To his surprise, the manager grumbled at his bills, told him that they liked fresh names, not always the same, and asked him if he could not get some.

The customer was astonished at this

absurdity, and retorted that he was not particularly anxious for fresh names and, perhaps, bad debts. His names, he quite well knew, were good; and he much preferred selling to his old customers, who always paid their debts, than running the risk so glibly suggested by the agent, who, doubtless, was somewhat piqued that an old and highly-respected client should suddenly discover that he had been paying too much on his bills for years past.

The agent, of course, has my entire sympathy, and I greatly regret the annoyance caused him; but, on the other hand, it is my business to write books which will enable customers to reduce their rates, and I never forget to make a note of any hint that may prove useful to them. How painful it is when one's business is quite at variance with one's sympathies, when one's stomach will not allow one to live up to one's lofty ideals!

A word or two may, perhaps, be said with reference to accommodation paper. The London banks advance and discount trade-bills cautiously; therefore, many business men, whose securities are not acceptable, take them to houses whose credit is good.

These houses and firms, upon the said securities being deposited with them, allow the owners to draw bills, which they accept in consideration of a fairly stiff commission. Such acceptances are discounted either with the banks or the bill-brokers; and after the borrower has paid commission to the acceptor, and interest to the broker, he discovers that the raising of money upon indifferent securities is an expensive process, and that all the sharks are not in Lombard Street.

Of course, large profits are made in some businesses; and the man who borrows in this fashion, unless his nett gains be considerable, must find the struggle to live an extremely hard one. The acceptor, whose credit is good, lends the borrower his name, just as the banks lend theirs to their own customers, whose bills they either accept or endorse for a commission, though they cannot obtain the rates which the outsider procures. The latter takes heavier risks, and he expects to be paid proportionately; whilst, if it become a question of renewing the bill, he sometimes puts on the screw, when the borrower discovers what there is

in a name—especially if it be a Hebrew one.

When a customer keeps more than one banking account, it will sometimes pay him to inquire the lowest rate at each bank, as it is quite possible that his so doing may result in a saving of money.

We next arrive at discounting in the provinces; and here we shall find that the banks are in clover. In agricultural districts, where numerous small bills are discounted, the agent, even if the Bank Rate be at 2 or $2\frac{1}{2}$, often obtains 5 per cent. per annum interest upon the amount of the bill, together with $\frac{1}{4}$ per cent. commission; so that when the bills are drawn for short terms, the borrower really pays from $7\frac{1}{2}$ to 8 per cent. for the loan. Were this explained to him at the time, he would probably express his astonishment; but the agent is careful not to perplex the bucolic mind with little arithmetical puzzles.

"Eight per cent., sor!" he would exclaim, rubbing his head.

He might rub a long time, but he would never rub 8 per cent. in, however nicely the agent explained it; but 5 per cent. interest

and just $\frac{1}{4}$ commission sounds as though he were paying $5\frac{1}{4}$ only.

Of course, he pays 5 per cent. *per annum* interest on the bill, and $\frac{1}{4}$ per cent. commission, which is quite another matter. For instance, if he discount a bill of £10, which has 30 days to run, then he pays—

30 days at 5 per cent. per annum, .	10d.
$\frac{1}{4}$ per cent. commission, . .	6d.
	1s. 4d.

This works out at slightly over 8 per cent. per annum; and as small tradesmen who discount short bills are treated in exactly the same manner unless they protest, they should just ask the manager for a little explanation, and, if their credit be good, decline to be put off with a nice bank smile. On the other hand, should the acceptors be weak, and they themselves none too strong, there is nothing for it but to accept the terms, though there can be no harm in endeavouring to reduce the commission rate to $\frac{1}{8}$ or $\frac{1}{16}$.

"The hand that shakes but never assists," the small tradesman must think when the

typical bank-manager graciously condescends to pay him his banking respects, and to inquire, somewhat distantly, after his health. However, he can have his revenge and reduce his rates when his business improves.

Some of the country banks have two rates of discount. I say two; but, really, I am flattering them, for they must have quite three or four. When the customer is out of touch with the market, be his credit ever so good, the banks endeavour to get 5 per cent. from him, and a high commission into the bargain, even though the Bank Rate be at 2. I think they refer to these customers as good, old-fashioned people, whom they esteem highly, and whose gradual disappearance from business they deeply regret.

Such men do a good country business. For years they have jogged comfortably along, apparently unconscious of the change that has taken place since they were boys; and if they do notice it, and should they become critical, then they only regret that the present generation has forsaken their fathers' gods, and solemnly declare that, though the world is still as beautiful, young men and maidens are much too fast.

"Quite so, my dear sir," agrees the bank manager. "A few bills to be discounted, I see."

"Yes," says the fossilised old gentleman.

"Mr Jones," whispers the manager to a clerk, "five per cent. and one-quarter commission. Don't make any mistake this time."

"Young men of the present day," again remarks the old fossil, with emphasis, glancing at a young man beside him whose fingers are covered with rings, "are much too fast. I can't understand how a business can support these extravagances."

Had he remained a few minutes longer he would probably have been astonished almost out of his life, and his opinion of modern bank managers would also have been considerably modified did he survive the shock.

"Funny old boy," remarks the young man with the rings, sliding his cheques across the counter to the manager, who cautiously smiles his assent.

"Behind the times, eh?"

"A little," replies the manager.

"Wish more of 'em were, eh?"

"Devoutly."

Whereupon the young man with the rings laughs.

"I'll wait to see what the discount on those bills comes to," he observes, taking his pipe from his mouth and puffing a cloud of tobacco smoke into the manager's face. "The Bank Rate has just gone to three; so three's our arrangement."

"Three-and-a-half," returns the agent.

"Three," repeats the young man with the rings. "If you can't do it, give them back to me."

And the manager does it—like a lamb.

"Mr Jones," he whispers to the clerk, "calculate the discount on these bills at three, and no commission. Please make haste, for I shall be exceedingly glad to get this young man out of the office."

"His tobacco," suggests the youthful Jones, "smells most offensive and obnoxious."

"And his manners, Mr Jones," returns the agent, "make me wonder in what school he was educated."

"Yes, sir," says Jones, humbly. "I think he must be a product of what they call the up-to-date and pushful school, sir."

"He knows more than is good for him," remarks the agent.

"And more than is good for us, too," thought the youthful Jones, who wisely did not articulate such an unorthodox sentence for the edification of his chief, who, returning to the counter, chatted most pleasantly with the young man with the pipe and the rings upon certain little questions which were of purely local interest, such as the neglected condition of the trees in the churchyard and the unsettled state of the weather.

The current-account customer who can afford to bank where he likes should refuse to pay any commission on his bills; and he should also take care that he does not pay 5 per cent. when the Bank Rate is at 3 or under. I would suggest the following arrangement:—

"Bank Rate, with a minimum of 3 or 3½ per cent."

But, as I have demonstrated in previous chapters, the customer, if he wants to reduce his discount rates, must bargain with the agent, and, if necessary, let him see that he is determined to discount his bills in the cheapest market. If his account be a good

one, such as any bank would readily accept, then, in order to secure it, very probably a rival bank would quote him finer rates than those given above.

Competition for good trade bills is, we have seen, active; and if any customer now, with the official minimum at 3, is paying 5 per cent. in the provinces, he will find that a perusal of this chapter will increase his profits very considerably.

In the large cities, such as Manchester, Liverpool, Birmingham, low rates are easily procurable; for prices are cut nowadays, and merchants are much too keen to pay excessive discount rates. Possibly, did we know the real state of affairs, that is to say, could we see the discount books of the various banks, we should find that a customer who discounts very extensively often obtains extremely fine rates from his banker.

Since the Scotch banks opened in London their customers often complain that their banks are discounting at lower rates in London than in Scotland. They reason that the banks collect their deposits in Scotland and, in order to swell their own profits, lend a certain proportion in London, thereby

making loanable capital dearer in the north. Such action certainly does not seem patriotic; but surely bank directors are not suspected of patriotism. I should hesitate to make that accusation against them.

The money is borrowed in Scotland, and Scotsmen naturally think that home industries should be fostered with it, or, at anyrate, that capital collected in the country should not be lent at cheaper rates in the south; but a soulless company is capable of everything—except generosity. However, though there are only ten large banks in Scotland, I am told that competition is fairly keen between them; so their customers might possibly improve their position by attempting some of the methods suggested in this volume.

CHAPTER V

OVERDRAFTS IN THE COUNTRY

If one examined the dividends of the various banking companies, it would be found that the highest are paid by those institutions which have both London and country branches, as the following list will clearly prove:—

	Average dividend for ten years, ending 1900.
London and Westminster, .	$12\frac{9}{10}$ per cent.
Union of London, ...	$10\frac{20}{31}$,, (about).
London Joint Stock, . .	$10\frac{7}{20}$,,
London and County, . .	$21\frac{1}{10}$,,
National Provincial Bank of England, ...	$19\frac{3}{10}$,,
Manchester and Liverpool District, ...	20 ,,

At a first glance this looks most mysterious, and the banks would much prefer that the little puzzle were not explained; but, re-

luctant as I am to hurt their banking feelings, which, experience tells me, are of the tenderest, our banking puzzle is so extremely simple that I find it quite impossible to resist the persistent itching at my finger-tips.

The world, so the banks must think, is full of fools, and their customers, experience has taught them, are of the world. The discovery is by no means an original one, for the idea is older than the banks themselves—considerably older, and the above list proves its veracity beyond a doubt. They must certainly have a large number of inexperienced persons upon their books, and I will proceed to prove it by statistics as well as by facts.

In London, when the Bank Rate is at 2, the banks cannot advance at 5. They allow interest at ½, and advance at, say, 3, leaving a margin of 2½. Their free balances they employ at the same rate.

But the country banks, with a 2 per cent. official minimum, among other rates, manage to squeeze in a 5. Deducting the country deposit rate of 1½, there remains a margin of 3½ as against London's 2½. Here, again, a

certain proportion of "free balances" earn the full 5 per cent.

I am quite well aware that I have only given one of the reasons. Naturally, banks which have numerous branches collect more deposits than the purely London institutions. Their ratio per cent. of capital to deposits is consequently less, and they are thereby enabled to distribute higher dividends than local companies, which only farm a particular city or district; but the difference is too pronounced to allow of this being declared the sole cause for a moment.

For instance, the ratio per cent. of paid-up capital to deposits of the Union of London at December 1900 was 9·26, and that of the National Provincial 5·87. Of course, other things being equal, the National Provincial would pay considerably larger dividends than the Union, but when the average dividend of the one is $10\frac{7}{20}$ per cent., and of the other $19\frac{3}{10}$ per cent., we are compelled to look for another factor, which we find in the more profitable nature of country banking.

Again, if additional proof be wanted, it will be found that the purely country banks, when the capital ratios are taken into con-

sideration, pay considerably higher average dividends than the purely London institutions. The dividends of the London companies fluctuate more. For instance, during 1895, when the Bank Rate was at 2 all the year, the Westminster distributed $9\frac{1}{2}$ per cent., which was increased to 16 per cent. in 1900. But the Manchester and Liverpool District Bank paid 20 per cent. during each year in question. The higher rates of 1900 did not affect its dividends one way or the other. It was precisely the same with the Manchester District Bank; and the Union of Manchester only added to its 1895 distribution by $\frac{10}{11}$ths.

Are we to assume from this that when the Bank of England rate was at 2, Manchester men were paying 5 per cent. for their advances? If they were, then I should recommend them to try some of the London and Provincial banks in that city, when they will find that, if their securities be tangible, they can obtain an advance at—

> "Bank Rate, with a minimum of $3\frac{1}{2}$ and a maximum of 5."

Really large merchants, of course, make special terms with the banking companies;

but I cannot help thinking, seeing that, year in year out, whether the Bank of England rate of discount be high or low no impression whatsoever is made upon the distributions of most of the Manchester banks, that their customers, by bringing a little pressure to bear upon the directors, might reduce their rates of interest and commission perhaps considerably.

Now, I think that, from the above facts and figures, this deduction is reliable, and that my statistics clearly show that the country customers of the banks are paying much higher rates than those to which the companies are justly entitled.

But, a reader may ask, what has the Bank of England discount rate to do with the value of a secured advance?

Briefly, the Bank of England is the bankers' bank. The joint-stock banks only keep sufficient cash in their safes to supply their tills; and their cash-balances, over and above their requirements for this purpose, are lodged with the Bank of England, which, in consequence, holds the gold reserve of the country. This reserve the bank protects by raising its rate of discount.

But we need not enter into that question here.

Loanable capital is either cheap or dear according to the demand for, and the supply of, the same. If the demand be large and the supply small, then the rate of interest is extremely high. Again, during periods of political unrest, when the banks are afraid to lend freely, and when the Bank of England is anxious to protect its reserve, then, even though loanable capital is plentiful enough, this sense of insecurity compels the banks to hold a larger proportion in reserve against contingencies; consequently the borrower, whether against marketable securities or bills, has to pay higher rates.

The Bank of England is a joint-stock bank like any other joint-stock bank; and it discounts bills the same as any other bank in London does. When loanable capital is plentiful and demand small, then the Bank of England rate of discount, or the "official minimum," as it is sometimes called, is low. In other words, the bank is then discounting bills at low rates.

We have seen that "the Bank," as the Bank of England is called, holds the gold

reserve of the nation ; and because of this, together with the fact that it keeps the Government account, and enjoys certain privileges therefrom, every bank and every lender and borrower of money is interested in it. The Bank Rate, therefore, is in a sense representative, despite the fact that the Bank of England is only one among many large lenders, and that it cannot, as some people think it can, "fix" a rate arbitrarily, because, were it to try, it would do no business.

When the Bank Rate is low, loanable capital is cheap, and it is therefore absurd of country customers with a 2 or a 3 per cent. official minimum to pay 5 per cent. on good trade bills or for an advance against tangible securities. They should study the money market, watch the Bank Rate, and pay for the money they borrow accordingly ; for if they accept without question all a bank manager tells them they will be considerably the poorer at the end of each quarter or half-year.

In the provinces most of the overdrawn accounts are worked on the "overdraft," not upon the "loan," system. A country bank might have a few "loan accounts" open in

its books (*see* Chapter III), but they would be very few indeed, and could be counted on one's fingers. The customer has a "limit." That is to say, he can overdraw his account to the extent of a certain sum, which has been arranged between himself and the manager; and interest is charged upon the actual amount of the overdraft at the end of each day. Of course, he must not exceed his "limit"; and if he do, the agent is at liberty to return his cheques.

Upon such accounts the manager charges from 3½ to 5 per cent. He first examines the would-be borrower's proffered securities. Then he looks critically at the customer, treats him to a nice bank smile, and endeavours to find out just what he knows about the market value of loanable capital.

We will assume that the Bank Rate is at 3, and that Mr Mason, a person whose securities are undoubted, and whose confidence in bank managers is complete, requires an overdraft of £5000.

"Sit down, sir," says the polite agent. "I am glad to see you looking so well. Yes; there will be no difficulty here."

"And as to interest?" asks the customer.

"Our usual rate of 5 per cent."

"You never advance under?"

"Never," the manager assures him without a blush. A bank clerk who blushed could never fill the "official" armchair in the "sweating-room" with that grace and dignity which is so essential in a finished bank agent.

"And," he continues, "we shall want a little commission."

"What's that?" inquires the innocent Mr Mason.

"A slight charge on the turnover."

"Turnover," repeats Mr Mason.

"Upon the cheques you draw out," explains the manager. "It will be something quite small. Leave that to me."

"Thank you," replies the innocent Mr Mason. "I feel perfectly safe in your hands."

Whereupon the manager bows his banking thanks, and continues: "I shall submit your proposal to my directors at once, and in the course of a few days I will let you know their decision, which is certain to be satisfactory. What a beautiful day, Mr Mason."

And he rises from the "official" arm-chair.

"Beautiful," agrees Mr Mason, rising too. "Then I shall hear from you soon?"

"In due course," replies the agent, with official brevity. And he holds out his banking hand, which Mr Mason shakes.

At the end of the half-year Mr Mason is charged 5 per cent. interest and ¼ commission, together with £2, 2s. for law charges, and sundry other little debits, all of which are entered in his pass-book thus—

To charges, . £125, 13s. 2d.

The customer, when he sees his pass-book, though he cannot quite understand the figures, thinks that it must be all right; and, unfortunately, he does not take the trouble to verify the entry.

Now, had Mr Mason been better acquainted with the money market, and, also, with bank managers, he could have arranged his advance quite easily at—

"Bank Rate, with a minimum of 3½ per cent. and a maximum of 5."

As to commission, Mr Mason should have smiled at the mere suggestion, and reminded the manager that there were four other banks

in the town besides his own, each of which would probably be only too pleased to let him have the advance at 3½ per cent., with no commission whatsoever. The manager would then have banished all thoughts of "doing" Mr Mason from his weak mind, and have reasoned that 3½ per cent. without commission was better than no account at all, just as money without love seems infinitely more desirable than love without money when the choice is forced upon an unwilling person who worships at the shrine of so-called civilisation.

Were we able to examine the books of certain of the London and provincial banking companies at their country branches, we should soon recognise the fact that the managers do not consider the nature of the securities alone, but that they also take into their most mature deliberation the nature of the customer who deposits them. The various rates are sometimes marked upon each account; and could the easy-going or highly-esteemed clients read what the "mean" customers are paying, they would rub their eyes in astonishment and murmur,—

"Is it possible?—dear me."

Certainly, the securities are carefully considered; but country banking, during the last twenty years, has been modified very greatly. Customs, naturally, change more slowly in a small town than in a large city. However, any marked evolution is, in time, certain to spread to the outlying districts; and, eventually, the same methods are sure to be adopted throughout the length and breadth of the land. This fact bank directors have failed to see. The average agent, of course, is a mere servant, who has not sufficient intelligence to grasp the situation, or to see how serious it is.

The joint-stock banks have driven out the private banker in the provinces. Now, the private banker took risks; and, naturally enough, he charged for those risks. His successors only consider safe business, yet they are anxious to maintain his rates; and it stands to reason that they cannot succeed.

The present state of affairs was inevitable. Those companies which were first in the field succeeded for a little while. Suddenly we witness a feverish opening of new branches on the part of the banks. Branch banks multiply in every direction. Towns

which once contained three banks are now blessed with six; and as each fresh arrival has to make a business, the result is fierce competition.

Naturally the older-established banks complain bitterly of the methods of the new. One would really think, to hear the high-flown invectives their agents launch against the methods of the newcomers, that those companies which started first must have been models of banking propriety. Such, however, was very far from the case; and, in reality, these stupid men are only inveighing against those methods which enabled their own banks to snatch business from the old private banker. In short, they are being inconvenienced by the very rope which they provided for the hanging of the private banker, and it seems a little indiscreet to bellow so loudly about it.

These old-established companies openly announced their intention of underbidding the private banker; and they did it. Ask the private banker if their methods were too nice! Now, having disposed of him, the courteous gentleman who did assist his clients, his underbred successors are anxious

to pose as gentlemen who play the game. It is a little too funny. They are the jackals who forage for a board of directors. That is what they are; and that is what they were from the very start, and what they will be till the finish of their "highly-respectable" banking careers.

New branch banks, with businesses to make, entered the various towns; but we must remember that the credit of these competing banks was well-established, that there was no question concerning their stability, and that the only doubt which their directors had to face was whether or not a profitable connection could be built up by a branch office in this or that town. Fortune favoured them. We have seen that the older-established companies were beginning to settle down snugly in a land overflowing with milk and honey. Their managers began to give themselves airs and to talk large, for they fondly imagined that the mantle of the private banker had fallen upon their round shoulders. It was extremely funny. Little Johnnie Bank-clerk began to swagger, to swing his walking-stick, and to talk about monopoly and big "screws."

There was to be a Utopia for Johnnie Bank-clerks, who began to picture in their weak minds a future of much beer and short hours.

Then something occurred—something unpleasant, of course—which quite upset these calculations, and, also, those agents who had begun to imagine themselves men of some local importance. The managers of the newly-established opposition branch banks began to circularise, to tout, to cut prices, to do, in short, all those things which, as seen through the spectacles of the old stage agents, they ought not to do.

"The 'profession,'" these gentlemen would indignantly declare, "is being lowered."

Quite so! And worse still, their profits were being lowered too. The paternal Boards strongly objected to the latter result; and the letters exchanged between them and their agents must have been both pathetic and amusing. And now they are all at it. Oh, it is quite sad! And to think that a bee has left the busy banking hive and chronicled the facts.

The newcomers had to attract customers,

so they offered banking facilities at cheaper rates than those of their rivals, who, in order to retain their connections, had to reduce their rates ; and this struggle has been in process for years past. At first the older companies resisted and their agents talked a deal of nonsense about bad banking form, as though their customers were anxious to pay through their noses for the unique privilege of supporting a manager's idea of banking ethics. They were not such fools. And when, after losing business, the older companies recognised the impossibility of maintaining rates of interest and commission in the face of determined competition, they wisely accepted the inevitable, and reduced their charges if customers complained or threatened.

The result is, some clients are paying for a well-covered advance—

5 per cent. per annum and ¼ commission on the turnover.

5 per cent. per annum and no commission on the turnover.

½ above Bank Rate, with a minimum of 3½ and a maximum of 5, and no commission.

A propos of commission, the manager sometimes charges $\frac{1}{4}$, $\frac{1}{8}$, $\frac{1}{16}$, or a nominal two or three guineas, according as to whether or not the client objects. Of course, those persons who know the market *do* object; and if any of my readers have not yet done so, they may possibly think it desirable to make their protest now.

It is just the same with interest upon overdrawn accounts. The manager sometimes charges from $3\frac{1}{2}$ to 5 per cent. according to the business experience of the client, who, therefore, should take care that he is paying the lowest terms procurable. The manager, when you make such a suggestion to him, will probably assure you that such terms are not obtainable in his town, that country banking is quite different to London banking; but if you make a "little tour" round the banks in the place you will find that the agent has exaggerated somewhat, as is quite human and natural that he should, for the poor man wants to make his branch produce as much dividend as possible, and his banking soul craves ardently for more salary and promotion to a larger office, where he will find a wider field for the exercise of his peculiar talent.

The provincial manager will say to you, "In the country we charge a small commission" (when we can get it), "and our rate of interest is 5 per cent. whether the Bank of England rate be high or low. The customer, therefore, profits by this arrangement in the long run, because, don't you see? the London customer pays 1 per cent. above Bank Rate, so when the official minimum is at $5\frac{1}{2}$ he is paying $6\frac{1}{2}$."

Bless his innocent heart! How plausible it sounds! Of course the London customer, who knows the market, is doing nothing of the kind. He is paying 5, like the country client, and with the Bank Rate at 3 he will be borrowing at $3\frac{1}{2}$. The country customer, whose securities are tangible, should do the same.

The competition of the new branch banks, we have seen, has played havoc with so-called country rates of interest and commission. But the said rates did not rest upon any solid foundation. They handicapped the borrower, reduced his margin of profit, and were grossly unfair. The public, consequently, has gained by this competition, which has enabled it to com-

pel the provincial branch banks to lend loanable capital at current value, and not to charge a capricious price of their own, thereby taxing local traders and local industry.

A moment's reflection should have convinced bank directors that a system which is not based upon the market value of loanable capital is bound to be swept away directly competitors enter the field; and it seems needless to remark that those banks which hold out longest will suffer most, for certain it is that the older joint-stock banks are falling behind in the race for deposits. A man is surely not going to pay 5 per cent. for an overdraft if he can get the same accommodation elsewhere at $3\frac{1}{2}$ or 4; and such is the precise state of affairs in most provincial towns.

Moreover, it disgusts a customer to suddenly discover that he has been paying 5 per cent. and $\frac{1}{4}$ commission on his turnover during the last five years, when, had he been aware of certain facts, he could have obtained his advance at Bank Rate, with a minimum of $3\frac{1}{2}$ and a maximum of 5, and that no commission would have been

charged. He feels that his banker has been "doing" him for years; and if my readers will examine their pass-books, some are pretty sure to find that such is the case. Of course this means a considerable diminution in the profits of a business; and in these days of close competition a trader cannot afford to pay excessive charges. Further, there is no reason why he should.

The movement has begun, and it is now only a question of time until country rates are the same as London rates. Why should they differ? Surely if loanable capital be worth 3 per cent. in London, it is not 2 per cent. dearer at, say, Lowestoft, Bournemouth or Manchester, yet the banks apparently ask us to believe that it is. If this were the case, then Consols would be worth less in Bournemouth than in London; but the contention is absurd, and it is equally absurd of the banks to think that they can charge one rate in London for a well-secured advance and another in the provinces. Were this possible, then the person who traded with borrowed capital in the provinces could not compete against a London trade rival. Time has now begun to

show bank directors the utter folly of the attempt, and they call themselves skilled bankers!

The system has broken down because it is a rotten system, because it is an unjust system, and because it forms part of a policy of grab which has largely actuated some banks in dealing with their customers, and for these reasons it is doomed to disappear altogether.

At the present moment some of the provincial banks are charging their customers the highest rates they can get. Their clients, therefore, should study the value of loanable capital as reflected by the Bank Rate, and make some such arrangement with them as indicated in these pages.

Where the customer's account is only partially secured, or should his securities be such as the banks do not regard favourably, he must make the best terms he can for himself, though there can be no harm in his remembering, when he is paying very high rates, that a "little tour" might result in their reduction; but this matter has been dealt with in my previous volumes.

CHAPTER VI

"TOUTING BANK AGENTS"

WHEN a tradesman opens a shop in a town he receives a call from some half-dozen touting bank managers, each of whom introduces himself as the manager of such-and-such a firm or company, and after a few airy remarks about the state of trade and the weather, proceeds to dwell upon the proximity of his bank to the said shop.

"Just round the corner, near the clock," he says. "You will find my bank very convenient, and my young men most attentive and obliging. Our cashiers are selected on account of their nice bank manners. We train them from their youth up; and they are as discreet as judges and as slippery as eels."

If the tradesman mentions terms, each assures him that he can arrange those a

"little" cheaper than his rivals, that if he keeps an average creditor balance of about £50 no commission will be charged, provided the turnover is not very large. And how friendly they all are! What an interest they appear to take in their "highly respected" clients. The clerks are all sworn to secrecy; and, in short, the customer must consider himself among friends, who study his interests in every way. He must not mistake them for relations.

Should a retired person take a large house in a town, the managers put on their Sunday tall hats in his honour, arm themselves with sticks, and call upon him after breakfast in their "official" war-paint, when each hopes that he may have—er, the pleasure of conducting his account. They dwell upon the attractions of the town, the strength of their respective banks, and the beauty of the surrounding country.

Perhaps a certain manager of the old school may think it beneath his banking dignity to call in person, so he either sends a clerk with nice bank manners or else writes a letter, with which he encloses a copy of the Report of his bank. Certain

passages in the said letter are sometimes underlined, in order that the reader may pause there and reflect upon the solid advantages the bank affords its customers.

"Our safes are commodious," wrote a certain bank manager, "and we should be happy to take charge of either plate or boxes quite free of expense. This bank is so well known and respected that I feel there is no occasion for me to draw your attention to our exceptionally strong position in the financial world."

There is a touch of the poetic here. That manager must have composed verse in his early youth. How is it that the joint-stock companies have not yet thrown up a bank poet? But surely the vocation would be a dangerous one; for if the Board got an inkling to the effect that either a clerk or a porter was writing bank poetry, he would be sacked immediately lest his dangerous gift should discredit the company, for it would be so exceedingly awkward if he discovered words that would harmonise with Benjamin Moses, Chairman.

When a customer's securities are good and abundant, a touting bank agent cannot

do him much harm, because he can always transfer the account with ease; but it is otherwise when a man, tempted by specious promises, changes his banker, and then discovers that the agent who persuaded him to make the move, knowing that he has him in his power, puts on the screw and increases his expenses.

A few such cases have been brought under my notice by correspondents and readers of my books, and I will select two of the worst. It must be clearly understood that I have not verified the facts, but that they are stated here solely upon the authority of my correspondents, whose names I have. With their consent (and I do not think they would object) any reader can be put in communication with them.

The first is a very sad case. A gentleman, after reading one of my books, wrote to me, and by-and-by he asked me to meet him in the City. This I did. His case, it appears, had been taken up by a newspaper; but beyond the exposure for the bank, he did not personally derive any help in his endeavour to get compensation from the banking company.

The gentleman one day received a touting letter from a bank manager, enclosing a copy of the company's balance-sheet, and stating that the manager would be happy to receive a call from him. He did call, and he never took a more unfortunate step in his life, for in the end he found himself stripped of every penny he possessed.

He, to make a long story short, transferred the account, and the manager made him liberal advances against house property, so, at first, the customer had more money with which to trade, and his business prospects looked very hopeful. He estimates that his assets then amounted to about £14,000, and that his business brought him in about £1500 a year.

Suddenly the bank requested the customer to pay off his indebtedness within eight days, without any previous notice; and as he only possessed bricks and mortar, they quite well knew that they had set him an impossible task. Their liberal advance, in fact, ruined him, for he could only realise at a tremendous loss, and his securities were not such as any other bank would regard favourably.

Naturally enough the customer failed to pay off the debt within the time stipulated, whereupon the bank instructed their solicitors, won the action with costs, and issued a writ. Then began a struggle between the customer and the bank. Solicitors' costs speedily increased his debt, for they were heaped up on a lavish scale, and at last the customer was reduced to poverty.

I suggested that his case was one of simple recovery of a debt, but this he emphatically denied, and did not hesitate to accuse the bank of conspiracy, alleging that, unknown to him, the solicitor who fought his case was intimately connected with the bank. Even were he not, the customer was most brutally treated; and if he were, then no words of mine are required.

This gentleman asked me to take up his case, and of course I explained to him that I was a mere nobody who got his living by writing books for a profit—about as unsatisfactory a position as a man can possibly find himself in, for, next to the bankers, the greatest Jews I know are the publishers, though authors' agents run them pretty close.

Having failed to gain help through the publication of his grievance, the customer called upon certain well-known philanthropists who make a business of exposing particular scandals; but banking, it appeared, was a kind of mud in which none of them could dabble at a profit. Little domestic, political, society, royal scandals they would be happy to entertain, but a banking scandal seemed outside their usual philanthropic routine. Besides, a large bank might show fight, and it is so much safer to kick some poor wretch who is afraid to lift up a finger in return.

From this quarter the customer obtained philanthropic sympathy. Modern philanthropy, it would appear, is closely connected with modern civilisation. Philanthropy is a kind of brass band which is played *fortissimo* in order to drown the shrieks of the victims of civilisation.

I confess that my heart bled for this customer, that I believed his story, and that, could I have assisted him, I would have done so; but, on the other hand, I knew that any humble effort on my part would have resulted in failure, and, consequently,

would have done his case more harm than good.

Here is a man past middle life, ruined, obliged to live in rooms apart from his family, through, he declares, a gross injustice done him by a large bank; and if any philanthropist would like to inquire into the truth of his accusations, I believe that he would be only too glad to have his evidence sifted to the bottom. However, I do not suppose for one instant that the philanthropist will be forthcoming. One has to fight one's own battle in this world.

My second illustration is supplied by a customer of a purely provincial banking company. He resides in a small country town of some five thousand inhabitants; and as there are only two banks in the place, one would think that competition cannot be very keen thereat.

At the period in question one was a large firm of private bankers, who have since turned their business into a company; and my correspondent, when his father died, opened an account with this firm, which charged him 5 per cent. per annum interest on his overdraft and $\frac{1}{8}$ per cent. on his turnover.

But the joint-stock opposition bank possessed an indefatigable agent, whom we will call Mr Smith, a gentleman (writes my correspondent) who washes his hands in imaginary water with invisible soap. I know the breed quite well. Mr Smith, apparently, possessed a nice bank smile and good bank manners. He was constantly asking the customer of his rival to move his account, would point out that his bank was so much nearer the customer's place of business, and then, lowering his banking voice, he would hint mysteriously that his directors would work the account a little cheaper.

The customer's experience of bank managers in those early days, he regrets to say, was small, and he unfortunately yielded to the blandishments of the artful Mr Smith, to whose bank he transferred his account. The firm of private bankers certainly had to contend with the worst kind of sneak at the opposition.

At the end of the first half-year the customer noticed a large increase in his charges; but he was in a fix, as, so to speak, he had burned the bridge behind

him. We know that there are only two banks in the place; and he naturally did not like to return to the old firm. Mr Smith, too, was evidently quite aware of that fact. Having caught his fly, and knowing that his net was pretty strong, he proceeded to satisfy the appetite of his Board. Unfortunately for him, that fly turned out to be a wasp in disguise, and it stung his banking fingers somewhat severely.

"Things," writes the customer, "got so hot that I tried to reason with them." But Mr Smith, who had developed an appetite, refused to listen to reason. He wanted something much more solid than reason—to wit, cash. The nice bank smile faded from his lips, and the customer was told that if he were not satisfied he might close the account. But to whom could he take it?

The terms were not only stated verbally, but they were confirmed by letter; yet the customer found that instead of $\frac{1}{8}$ per cent. commission being charged, as arranged, he was paying $\frac{1}{4}$; and, to make matters worse, a $\frac{1}{4}$ was also charged upon the debit balance brought forward, upon which, of course,

commission had already been paid, thus making $\frac{1}{2}$ per cent. on that item.

Surely Mr Smith might have rested satisfied with this! Not a bit of it! The gentleman's appetite was positively insatiable, for the client discovered that he was being charged three days' interest upon all cheques he paid to the credit of his account into the bargain.

The customer, upon making this discovery, felt that the last straw had been placed upon the camel's back, and he wrote to Mr Smith, who, however, did not condescend to reply, so he determined, at all cost, to get out of his clutches. The account was closed, but at a considerable sacrifice; and thinking that he had been cruelly treated, the client determined to expose the bank.

With this objective he consulted his solicitor, who gave him remarkably shrewd advice. He told his client that although he was perfectly right it would be folly to take action against the bank, as the County Court judge would certainly not rule in his favour against a large and important banking company.

His client, however, was bent upon showing up the bank's conduct, so the solicitor advised him to enter for a small amount and thus bring the costs on the lower scale. This the client very wisely did.

When the case was heard, Mr Smith swore on oath that he had never written the customer on the subject. His letters were put in, confirming the terms verbally arranged.

"I need hardly say how he looked," writes my correspondent. "The bank's advocate sat down and confessed that the letters were fatal to his case. But, in spite of this, the judge summed up by saying,—

"'I cannot see that any special terms were entered into. I therefore nonsuit the plaintiff.'"

"A bargain," my informant pertinently continues, "thus ceased to be a bargain."

A London paper, noticing this case, remarked,—

"A County Court judge ruled that it was legal for a bank to charge a commission on a debit balance brought forward on a banking account as for cheques written."

Another London paper said,—

"In nonsuiting the plaintiff his Honour held that banking companies were entitled to charge $\frac{1}{4}$ per cent. commission twice a year on a debit balance brought forward in a banking account, in addition to $\frac{1}{4}$ per cent. commission on cheques written, and one (three?) day's interest on all amounts paid into a branch bank—a decision which cannot be too widely made known."

The customer certainly did his best to disseminate the information, and he writes that, the year after his exposure, the bank's dividend was reduced from 17 to 13 per cent., and that the 13 was still further reduced to 10, from the fact, he believes, that many of their customers began to stipulate for terms.

The customer entered the web a fly whose faith in bank managers was almost childlike, but he came out a wasp—a wasp among the bankers. After sending about twenty letters to the agent, to none of which he received a reply, his Christian forbearance broke down and he sued them, with the results aforesaid. I fancy that he is quite satisfied.

Another very interesting little fact came

out during the cross-examination of the manager, who was compelled to confess that he did not believe that $\frac{1}{10}$th per cent. of the bank's customers either did, or could, check their charges. It certainly seems high time that they learned how; and my correspondent, I know, is as anxious as I to teach them. We are both on the warpath. Indeed, my table is covered with letters from wasps attacking the numerous hives (limited) of the busy banking bees.

There are in this case one or two points which are of great importance to the customer, and I therefore purpose explaining them minutely. We have seen that the bank charged $\frac{1}{4}$ per cent. on the amount forward at the end of the half-year, and that the County Court judge decided in their favour.

The banks, when they rule off their books, carry forward the balance to the next half-year or quarter, as the case may be. Now, this is a mere balance, which, for bookkeeping purposes, is extended during the periods in question; consequently the customer has already paid $\frac{1}{4}$ per cent. thereupon. The

banks, then, are entitled, when they rule off their books, to charge upon figures they extend for the purpose of balancing them. If, then, they ruled off the pass-book once a month, they would be at liberty to charge upon the entry, to make the customer pay, twelve times a year, commission upon a sum of money or balance which is a simple book-entry, and upon which he has already paid. The very idea is positively ludicrous, yet my correspondent, on his own showing, paid $\frac{1}{4}$ on his turnover, and another $\frac{1}{4}$ on this balance or book-entry. Nobody but a fool expects justice; but is this law? Can a bank charge $\frac{1}{4}$ on a balance which it brings forward for its own convenience, and which has nothing whatever to do with the turnover of a customer's account?

For instance, suppose you open an account with a bank. Your turnover for the half-year is £20,000, and, having arranged to pay the bank $\frac{1}{8}$ commission thereupon, you are debited £25. The banker then rules off his books, and in order to make both sides agree, he brings down your debit balance of, say, £5000. This he carries forward to the next half-year. Obviously

you have already paid him £6, 5s. thereupon; and if, at the end of the next half-year, he includes this balance of £5000 in your turnover, and charges you ⅛ on it, then he has robbed you of £6, 5s. If he can do this legally, then I say it is legal stealing, but I do not believe that he can.

As a matter of fact, very many banks charge commission upon debtor balances brought forward; and the customer, by carefully checking his charges, should detect this fraud and demand that his account be credited with the surcharge.

We next come to the three days' interest which some banks charge upon all cheques paid to the credit of a banking account, though, in some instances, this charge is made upon the total sum paid to the credit of the account during the half-year.

The banker argues thus:—

The customer, when he pays a country cheque to his credit, which is drawn upon a country bank at a distance, receives credit for it at once; whereas he (the banker) does not get the money until the document is cleared. This process, he further says, takes three clear days, and in order to recoup

himself he is compelled to charge the customer three days' interest thereupon.

Suppose that a man at Bournemouth paid in a cheque for £50 on Norwich to the credit of his account at the former place on a Monday. The agent despatches it, among others, the same day to London, where it arrives on the Tuesday following, and is presented at the Clearing House to the agents of the Norwich Bank. The said agents send off the cheque on Tuesday to the bank upon which it is drawn. They get it on the Wednesday; and if it be dishonoured, then it is returned to the banker at Bournemouth, who receives it on the Thursday. Between Monday and Thursday, you will observe, there are three clear days.

This, when the customer protests, and not until, the manager carefully explains. These are the facts, and you cannot get away from them. You can see that the banker lets you have the use of the money three days before he himself gets it, and you are disposed to think that the charge is a fair one. But these are only banking facts, and banking facts are often lies in disguise.

We will now discuss the real, sober facts

as distinguished from the manager's banking facts; and it will be at once apparent that, though the gentleman spoke the banking truth, he omitted to state another unimportant little detail, which, however, quite vitiates his claim to three days' interest.

On Tuesday, we have seen, the cheque was presented at the Clearing House. Now, every "clearing" bank keeps an account with the Bank of England, and at the end of the day accounts are squared in the books of the bank; so, upon closer inquiry, it is evident that the £50 is standing to the credit of the agents on the day following. It is quite true that the bank at Bournemouth would not know the "fate" of the cheque—that is to say, whether it were honoured or not—until three clear days had elapsed, but that is quite another matter.

Should the cheque in question be refused at Norwich, Bournemouth gets it again on the Thursday direct from the bankers upon whom it is drawn. But we have seen that Bournemouth's agents were credited with the amount on Tuesday, therefore they must refund it to the agents of the Norwich Bank; and this is arranged by passing a slip through

the Clearing House. After three clear days all outstanding country cheques are assumed to be paid.

A branch bank, therefore, whose head office has a desk at the Clearing House, remits its cheques to the London office, which takes them to the "House" the next day, and settles through the Bank of England upon the same day they are received. The bank, then, loses one day upon such cheques, so why does it charge three?

The customer, of course, should refuse to pay this charge. He will see from the above illustration that "banking" facts should not be accepted too readily. The business of a banker, in reality, is an extremely simple one, and the "mystery" which has been introduced therein is merely a little "Scotch" mist, intended to serve as a screen between the banks and their customers. This book, I hope, will speedily dissipate it. "Scotch" mist is rather prevalent in some quarters of the City. Offices are kept open till past 10 p.m., and young men are heard to regret that England is not run for the English and to express a pious hope that the good God

will some day send a furious wind that will carry it all back north again.

There is one other question to which I should like to draw attention in this chapter. Since the disappearance of the private banker the small trader has been compelled, so to speak, to shift for himself. The joint-stock banks, unless he can produce tangible securities, will not look at him when he wants an overdraft, though they are always ready to open small creditor current accounts.

The manager will not listen to any scheme, however promising it may sound. If he did listen it would be just the same, for were he to suggest financing a poor man to his directors, their astonishment would be so great that they might recommend that some inquiry should be made with reference to the state of his mind. Now, the private banker occasionally did lend his ear to the plans of pushing men, and if he believed in them and their schemes he would sometimes finance them; and in this manner, though he charged for his risk, he undoubtedly made the fortunes of many of his clients.

He subscribed liberally to local institutions and to local charities. He spent his money

freely in the place, and, so far as the small man of business is concerned, he is undoubtedly a loss. On the other hand, the rich man can arrange better terms with the companies, whose resources are abundant, and whose system is well adapted to his requirements. Further, it eliminates the speculative element aforesaid and makes banking a safer business.

There is much to be said for, and much to be urged against, the method of the private banker; but it cannot be denied that he often befriended his small clients, and that is the only point raised in this chapter.

The companies have reduced banking to routine, have, as far as possible, struck out the personal element from the system, and they look more to the nature of the securities than to the business qualifications of their clients. Doubtless the character and ability of a borrower are considered, but they would not, like the old private banker, run any risk with him if his securities were unsatisfactory. There is no place in their system for the small, hardworking man. Then why are not small "Tradesmen's Banks" established in the provinces to

supply this demand? Surely every town of over 20,000 inhabitants could support such an institution, which would supply the place of the private banker, farm a field which is now neglected, and prove an incentive to local industries.

Again, why should we not have Miners' Banks, Agricultural Banks, Fishermen's Banks, and so on. I see, from a balance-sheet before me, that the Yorkshire Penny Bank has accumulated over twelve and a half millions of deposits. Here then is an illustration of the immense power which may result from the collection of small deposits. Now, why cannot the workers in the various trades start such a bank of their own, and manage it themselves, carefully excluding the political and religious elements?

As the deposits grew they could be carefully invested in desirable securities, which would give the depositors a fair return on their money. Then, at the right moment, the Miners' Bank might buy a mine, which would be worked by miners for their sole benefit. Surely this is practical socialism; and by what other means can the men accumulate capital, provide pensions for their

old age, and stay the spoliation of the dividend-grabber and the capitalist?

If they wish to improve their position, then they will have to act for themselves; for neither political party cares one rap about either their bodies or their immortal souls, though both are ready to make a bid for their votes. It seems to me that, by establishing their own banks, each trade could, in time, start a factory, a mine, a business. The depositors of the banks would be the workers, and, of course, the profits would be divided among them in the shape of interest. Under such a system there would be no strikes. And how easy to start a fund for the provision of old-age pensions.

It is astonishing how rapidly deposits accumulate, how speedily shillings become pounds, and, very probably, did the workers in a particular industry determine to start a bank, to be run by themselves for themselves, such an institution, were it popular among them, would do for them what their votes have failed to accomplish—to wit, make them independent of the capitalists.

Capital, we are told, is the savings of labour. These savings would be accumulated

by the workers themselves in a storehouse of capital, a bank which, when it was sufficiently strong, would enable the workers to establish a business and to compete against the masters with their own savings. Where would the high-salaried officials of the Trusts be then? What would become of the poor millionaires? And the business philanthropists, who play the brass band on the car of Civilisation—what *would* they do for a living? And the Kings and Lords and Dukes and Bishops who draw the car—how could they earn their daily bread?

For instance, railway servants might form a bank with the objective of buying up shares in the company which employed them, thereby getting a voice in its management by, shall we say, compelling the directors to accept a working-man at the Board table.

There seems no reason why every trade should not have its own bank; and, as deposits accumulated, these institutions could develop into trading banks, when the workers would at least have the satisfaction of knowing that they were working for themselves and their families. They would, consequently, take more interest in their

work, and perform cheerfully for themselves those tasks which they now do grudgingly for others. Small deposits, in the aggregate, give immense power; and though, doubtless, there are many difficulties in the way of this suggestion, it seems possible that the workers, by running their own banks, could eventually run their own factories.

However, this idea has very little to do with the object of my book, and is only given here as an interesting possibility.

The man who possesses tangible securities, or whose balance is a creditor one, can transfer his account with impunity, and often with very considerable advantage to himself. He is quite independent of his banker, who cannot possibly put on the screw, for the simple reason that any opposition bank would readily accept the account. It is he (the customer) who holds the trump cards; and if he thinks his banker is getting too much out of him he has simply to play them.

But, as my illustrations clearly show, it is otherwise when a touting bank manager takes over an account which he knows his rivals would hesitate to consider. Then he sometimes, knowing that the client is in his

clutches, piles on the interest and commission, and the customer has to grin and bear it. Very many men who find themselves in this fix are bled in an unconscionable manner.

As in my second illustration, when they protest, the agent retorts that, if they are dissatisfied, they must close the account; and, of course, they are compelled to submit to his extortions.

Upon looking through the pile of letters in front of me I find another from my second correspondent, and perhaps a few extracts therefrom may prove useful, as it so clearly shows the necessity of carefully checking one's charges.

"A Mr Hall" (fictitious name) "asked me to check his banking account," he writes, "as he was under the impression that they had 'done' him too much. I found that $\frac{1}{4}$ commission had been charged instead of $\frac{1}{8}$ according to promise.

"I then went through all his pass-books from the beginning, with the result that during the first four half-years $\frac{1}{8}$ had been charged, but ever afterwards $\frac{1}{4}$."

Mr Hall, when the result was made known

to him, hesitated to approach the agent; but my correspondent persuaded him to write and remind the agent that the arrangement was 5 per cent. per annum interest on daily balances, and $\frac{1}{8}$ per cent. on cheques (the turnover).

The manager's reply was characteristic of the breed which joint-stock banking has introduced into a once honourable business:—

"On looking at your account I find you have had a rather large turnover, and, consequently, credit your account with £ s. d." ("I can't remember the amount," adds my informant.)

This answer is both cunning and stupid; but one would hardly call the fox an intelligent animal. The customer, I take it, accused the manager of bad faith, of deliberately increasing his commission rate 100 per cent. without reason and without notice, and further, of disguising the said increase in his pass-book. If this were done intentionally then the manager was a common thief. One can feel a certain amount of respect for a man who breaks the law and risks his skin in so doing, but the man who deliberately cheats his clients, and then,

when his theft is discovered, shelters himself behind "little mistakes which shall at once be rectified," is no better than an area sneak.

By granting a rebate the manager allowed that he had overcharged his client, and, of course, his letter was an admission, to put no other construction upon it, that he charged his ledgers very carelessly — so carelessly that his customers would be well advised to check his calculations most carefully; for, on his own showing, they are thoroughly unreliable. His admission seems an unfortunate one, as, in his frantic endeavour to evade explaining the sudden jump from $\frac{1}{8}$ to $\frac{1}{4}$ in his customer's commission rate, he appears, like the much-cooked fish in the fable, to have leaped clean out of the frying-pan slap into the fire.

I have always been struck by the wisdom of that much-cooked fish, for a speedy termination to its agony seems so much more desirable than a protracted simmering to death in a pool of slime, at the hands of an experienced cook, and the tragic leap, which ended so fatally, when regarded philosophically from a detached point of view, appears to have been inspired by a merciful

Providence shocked by the brutality of the cook. In a like manner some men find this much-policed world so exceedingly uncomfortable that they deliberately cast themselves into the element which the fish quitted with the utmost reluctance, and, possibly, not without a struggle; and let us not be so inhuman as to suggest that they, too, have gone out of the frying-pan into the fire.

My correspondent calls this institution the "Southdown Banking Company," and quaintly remarks, "Southdown sheep have black legs." That is extremely interesting, but it seems to me that, for the sake of decency, the directors of the "Southdown Banking Company" should impress upon its manager the desirability of hiding them from a too curious world; for it is somewhat remarkable that so accomplished a bank clerk should expose the defect aforesaid in so brazen a manner. As my correspondent seems to imply, for the sake of example, he ought to wear white stockings over them.

I myself, some two years ago, accused bank managers of practising tricks upon unsuspecting clients, and, at the time, my charges were indignantly denied; yet I

never made such damaging statements as those vouched for by their own customers. I do not say that all the banking companies behave in this disgraceful fashion, because I have not the documents to prove my words, but I hold evidence that some of them do; and if these statements are denied, I am prepared not only to substantiate them, but to add others to the list.

The moral is:—

"Check your banker's charges."

The precaution is a necessary one, and I do not think that those persons who read these pages will neglect to take it.

CHAPTER VII

CREDITOR ACCOUNTS IN THE PROVINCES

THIS is an age of cash, not of chivalry, and, for my part, I fail to see that the world is much the loser therefrom ; for it must be equally as unpleasant to bow down before the vulgar swagger of the knight as to show one's "respect," in a similar fashion, for the large bank balances of the millionaires. The bank manager never fails in his "respect" for this class of customer, whom, from his youth up, he has been trained to revere. To him they are the orthodox ; and he makes them his best bank bow, for the poor man suffers sadly from the yellow fever.

His "respect" for the creditor-account customer is so great that, even should he have a balance of £10,000 at the bank, he would not dream of making the suggestion that perhaps he would like a little interest

thereupon; but if the customer raise the question he will find that, by pressing him very hard, it is possible to obtain 1½ per cent. below Bank Rate on his daily credit balances. If the average Bank of England rate for the year were, say, £3, 10s., then his account would be credited £200 during the year.

It is generally, by the way, a she who keeps so large a balance; and a shrewd bank manager hopes that, by inquiring very tenderly after her health each time she enters his office, that he will save his directors the £200 per annum in question. Such a dear, kind, attentive man, she thinks, who attends church regularly, and perhaps holds some "official" position, such as sidesman or churchwarden, would not impose upon her; but he does, even if he be a deacon at her chapel with a long flowing beard as white as snow.

A customer, whose account is always largely in credit, should insist upon receiving interest upon his daily credit balances; and if the manager refuse, then he can make a "little banking tour," when he will probably find that other agents in the town will be quite willing to grant his application.

We know that when the Bank Rate is at, say, 2, the provincial banks are allowing 1½ on deposit; and this class of customer, if his balance be considerable, should insist upon receiving country deposit rate on his credit balances, and not be put off with ½ by a smiling bank agent.

Any bank in the place will accept his account; and such being the case, he should endeavour to ascertain the highest rates which are being allowed on large credit balances; and if he discover a bank which is prepared to allow him 1 or ½ per cent. more than his own banker, provided it be as sound a company as his own, he surely would be very foolish not to transfer his account.

When making a "little banking tour" of this description, one should not take too seriously the "banking" facts glibly told by the young man behind the counter. The person—begging his pardon, the personage—to see is the agent, who, when one gets him in his private room, generally has some offer of a quite private and confidential nature to make.

The counter clerk is never armed with

banking authority. He is a smug young man, with passable bank manners, who has instructions to be most banking polite to the customers, especially to the ladies, but on no account must he assume the important function of agent. Every question, which is in the least suggestive, he must refer to the latter worthy—whisper it in his ear; and the agent, looking owl-like and grim, says,—

"Show him into my room."

Then, and not till then, does the manager take you into his banking confidence. A local magnate, or a person of some local importance, whose account is desirable, can often get very good terms in this manner, whilst if, for certain reasons, he does not wish to remove his account from his own banker, the information he has acquired will enable him to force the hand of the manager.

When you first request that interest be allowed upon your balances, the manager will say,—

"We never do that. We only allow interest upon deposit receipt; so, if you have more money standing to your credit than you are likely to be using, why not place the surplus on deposit at interest?"

Unless one examine his proposal closely, it looks reasonable enough; for what difference can it make whether a certain sum be transferred from current account to deposit receipt, or whether interest be allowed on credit balances? Yet the very fact that the manager makes the suggestion proves that he has an ulterior motive.

He knows that the customer will soon grow tired of continually making transfers from one account to the other, and that, in the end, his directors will gain more by the process he recommends. The client, therefore, should insist upon the interest being calculated upon his credit balances, and placed to his credit at the end of each half-year, thereby saving himself considerable trouble, and also adding to the sum he would receive did he adopt the manager's "disinterested" advice.

When the account is a trade one the customer should ask,—

"What balance must I keep in order that you will work my account free?"

The manager will tell him; and, if he be satisfied, he should insist upon receiving interest at country deposit rate upon every

pound in excess of the amount agreed upon between them. Further, if he thinks the agent is asking too much, he should endeavour to bate him down; and, failing that, he might remember that a creditor account can often be "toured" to advantage.

When the account is a private one, and the turnover small, the customer, if his balance be fairly large, should insist upon country deposit rate without any deduction whatsoever. It is impossible to say just what rate of interest he can obtain, because competition is fiercer in some towns than in others; and then, again, some men know how to bargain better than others; but as certain companies have at least three rates, it only remains to be said that bank managers are eminently squeezable. Above all, do not take for granted everything a manager tells you. The dear man is "banking"; and you should confirm his statements by inquiries among your friends, especially among those who bank elsewhere, whilst as a last resort there is the "little banking tour," which will often be found so full of banking surprises. As a tonic it is confidently recommended by the Bee to customers—de-

positors, shareholders, and last, but by no means least, to directors themselves. For banking indigestion the Bee's great classic banking tour will be found an invaluable remedy. A few testimonials from those who have derived benefit therefrom will be given later on.

Small creditor accounts, as has been stated elsewhere, are conducted free, provided the customer keeps an average balance of £50. Even if the average balance be less, the customer, if he be determined not to pay commission, will probably find that the agent will give way. Indeed, broadly speaking, he can please himself in the matter.

The banks certainly encourage small creditor accounts, both in London and in the provinces, as a certain number of them are pretty sure to develop favourably; and as the banker runs no risk, he is generally prepared, seeing that his rivals are equally anxious to secure the small man, to conduct these accounts free of charge.

In the aggregate these small balances swell the banks' deposits appreciably; and we may be quite sure that the companies

would not encourage this class of account unless it paid them. The recent multiplication of branch banks has undoubtedly made the companies more anxious to extend banking facilities to the smallest tradesmen, provided they keep balances on the right side; and such being the case, they should be chary in paying commission, for the banks certainly will not help them should they require an advance upon indifferent security.

It follows, therefore, that a banking company has very many small accounts in its ledgers, and that the tendency is for them to increase. Indeed, we might call this an age of small deposits, for this field is being farmed as it never has been before in the history of banking. Hence the saying that, in these days, every man has a banking account.

Never think that your account is too small for a bank. It doubtless seems strange that a large banking company, which possesses, say, thirty millions of deposits, should bother itself with a small account which seldom has more than from £15 to £30 standing to its credit, yet such banks as the South-Western and the London and Provincial have built up

sound businesses by catering for the wants of this class of customer.

So profitable was this business, that the larger banks soon recognised that the field was worth their attention, and nowadays the small creditor account is readily accepted by the largest of the companies. More, their agents will actually tout for it. In this respect the country is splendidly banked ; but, on the other hand, there are no institutions from which the small tradesman can borrow on reasonable terms. That is his difficulty. The companies want his current account, but they will not look at his securities. In short, the joint-stock banks, while recognising that he is an important factor in the business, that it pays them to encourage small accounts, merely use the balances of the small men to assist their large opponents in driving them out of the market, therefore it seems to me that small tradesmen should encourage a banking venture which is prepared to give as well as to take.

The small man complains bitterly of a huge competitor who, perhaps, after he has worked up a small business, suddenly opens a branch shop within a few doors of him

and ruins his connection. The large men and companies, who have the banks behind them, can buy more extensively, and, consequently, much more cheaply, than their small disunited rivals. They are in a position, therefore, to undersell the small tradesmen with ease.

The millionaire shopkeeper is a distinctly amusing creature. He builds almshouses for the poor, and says: "See what Sir George Lard does for you. Buy Lard's pork and don't worry about your old age. The Lard will provide."

He gives £5000 to this charity and £10,000 to that. Then his photograph appears in the illustrated papers, and we read little paragraphs—chatty little paragraphs—about his lardy career. Next comes a biographical sketch, headed, perhaps, "Sir George Lard and How he succeeded in Business." It is all lies, but that does not matter in the least, for, of course, our business philanthropist is careful to keep that little fact to himself. Hard work and indomitable British pluck, he tells us, won the day. Just so! It is soothing to read that. Now we know how *not* to succeed in business,

Suddenly Sir George Lard develops a passion for sport and society. Now we see him, in the illustrated papers, leading home the winner after the Derby. We read of his dining with noble lords, of what he said, of what he did, and how he did it. Pork, the satirical say, is looking up. The aristocracy are beginning to order it. And the public, when it reads all this, wonders how a man, who began his career behind a counter, can make himself such a Juggins. Tea, sugar, coffee, and last, but not least, pork, are all in the hands of the business philanthropists, who eat up their own kind and pose as the friends of the public.

The small tradesmen, unless they make common cause against these big trading companies, will find their lot a hard one, and they may well grumble that their own balances are used to finance the enemy who is underselling them. The question is: How can they drive him out? Could not all the tradesmen in the town combine against the intruder, and, by giving larger orders, get their goods cheaper, and so compete against him on equal terms? Doubtless there would be too much jealousy to allow of an amicable

association of this description; but the small trader wants a bank that will supply his needs badly.

When the customer's balance is small, and the turnover considerable, he naturally expects to pay the banker some commission, though he should refuse to "stand" such rates as $\frac{1}{8}$ or $\frac{1}{4}$ per cent. One shilling per cent. is quite enough. But the better plan is to bargain for a merely nominal or stated sum, and to bate the manager down to the lowest figures possible.

Should a customer have his business account overdrawn heavily, and his private account considerably in credit, he should insist upon receiving interest upon the credit balances at the same rate as the banker is charging upon the overdraft.

In the North and Midlands especially the banks allow interest upon current accounts, so it will be seen that banking customs are not homogeneous. Indeed, a large banking company, with tentacles in almost every county, has to adapt itself to its environment; consequently, it is often doing at a branch in the North what it either refuses or endeavours not to do at an office in the South or East.

The custom in question—to wit, the allowing of interest upon credit balances—is not encouraged throughout the country, so we may take it for granted that the banks have come to the conclusion that this system is the less remunerative of the two; but it seems to be spreading in spite of their efforts to check it, and, naturally, the customer is better pleased with a method which gives him more interest and considerably less trouble.

Even here some banks have about half a dozen different rates, and it by no means follows that all the customers at a branch, where interest is allowed on current accounts, are being treated equitably by the manager. The various rates are:—

$1\frac{1}{2}$	below	Bank Rate,	and	$\frac{1}{8}$	per cent.	on the	turnover.
$1\frac{1}{4}$	”	”	”	$\frac{1}{8}$	”	”	”
$1\frac{1}{2}$	”	”	”	$\frac{1}{16}$	”	”	”
$1\frac{1}{2}$	”	”	”	a nominal commission.			

As the bank allows interest upon the daily credit balances, it considers that it is entitled to a commission on the turnover, that is to say, upon the cheques and bills which are debited in the pass-book, in order to pay

itself for conducting the account. Otherwise it would have to make its profit by lending a certain proportion of these balances, and a bank cannot distribute a dividend of 20 per cent. by trading with money for which it pays $1\frac{1}{2}$ below Bank Rate. The saints, it must be remembered, work but few miracles in these days.

The manager, however, if he cannot work a banking miracle, is foxy and resourceful. He has a cultivated bank smile, and he endeavours to pay as little as possible upon the bulk of the current accounts at his branch.

Now, if he can get $\frac{1}{8}$ on the turnover, he can make the account pay extremely well, especially if the turnover be large and the credit balances, upon which $1\frac{1}{2}$ below Bank Rate is paid, considerable. This he obtains from the inexperienced.

Again, customers like to see a little interest in their pass-books at the end of each half-year. They are allowed this luxury, and, as they do not check the figures, they come to the conclusion, which is, like many financial conclusions, quite erroneous, that the bank is treating them liberally. Of course, banks

never treat their clients liberally unless they are obliged. Nobody does!

The effect produced by this "little" interest is magical. The customer, when he opens his bank-book, smiles, and so does the agent—in his sleeve. Both are pleased.

"Thank you," says the happy customer. "My interest, I see, is a little more this half-year."

"We," returns the polite manager, "are always delighted when we can afford to increase our clients' balances. Nothing gives us greater pleasure."

"You are very kind," says the customer. Whereupon the agent smiles. He understands banking kindness, whereas the customer, unfortunately, does not.

The customer, thinking the bank is treating him well, keeps larger sums to his credit than he otherwise would have done. Hundreds of others do the same, so fascinating is this little interest in the pass-book; and so long as they do not trouble to check the figures and ascertain what they really are being allowed, the manager makes his branch pay extremely well. But it is otherwise when

clients are critical and understand the market value of loanable capital.

He charges $\frac{1}{8}$, sometimes even $\frac{1}{4}$, commission, according to the business ability of the customer; and it is quite astonishing how delighted his lady clients are with their little interest.

"It's so nice to see it each half-year, Mr Smith. Something to look forward to—especially at Christmas. Why, it more than pays all my Christmas boxes."

And Mr Smith makes her an official bank bow. Of course, the poor man has his troubles. Were all the customers disposed to take a bank manager's word, then the "little interest" game would pay extremely well; for we have seen that it induces customers to keep larger balances, and, therefore, enables a useful bank agent to regulate the allowance.

The customer should insist upon the following points:—

I. That the commission rate be plainly stated in the pass-book, and that the amount charged for the half-year or quarter be carried out.

II. That the rates of interest be stated

in the bank-book, particulars being given of each change in the Bank Rate, and of the various calculations made by the company, in such a manner that the client can verify each allowance.

The manager simply makes up the pass-book thus :—

To interest, . . £20 3 6

He can only have one objective, and that is to "do" the customer; for an honest bank surely need not be afraid to debit the account with the commission, and credit it with amount of interest, showing at the end of the half-year the various sums allowed at each change of the Bank Rate, and stating in plain figures the actual rates upon which his computations are based.

A customer simply could not check such an entry as the above without first calling upon the manager and asking him for particulars which, of course, are entered in the bank's ledger; and it is positively farcical that an agent, who is never tired of asserting how devoted he is to the interests of his customers, should, after rendering an account to a customer, be compelled to refer to his

own ledger before he can tell what rates the client has been allowed.

He, in order to deceive, sends out an incomplete statement, trusting that the client will not question the honesty of a company which is trusted by the public to the extent of, say, from ten to forty millions of money. It is surprising that his directors should be such fools, for, of course, the trick is bound to be exposed some day; but this game has been carried on so long that those in authority have become case-hardened. They are men of such recognised integrity that they evidently think their accounts will not be questioned, and that they can grab commissions, provided they assume a cloak of lofty financial morality, with impunity. How they must regret that I ever was born!

These calculations are entered in the ledger, and all the companies have to do is to make the pass-book a fair copy of the said ledger. The customer could then see exactly what he is paying in commission and receiving in the shape of interest, together with the rates to certain given dates, and the amounts upon which the interest has been calculated. The various allowances, of

course, would be extended separately in the pass-book. How easily, were they given in this form, the customer could check them, but that is precisely what the manager desires to prevent his doing.

The joint-stock banks possess all the vices of the private banker, but they have not a single one of his many virtues.

The last thing I ask a reader to do is to accept my word for these statements. I would much rather that he did not. He has his pass-book, and if he bank with a company in a town where the custom is to charge commission and allow interest, all he has to do is to open his bank-book and see whether the commission has been debited and the interest credited. Further, are the various rates stated therein? If they are not, then how can he possibly check the manager's entry?

Assuming that he can learn but little from his bank-book, then he should ask the manager to show him the account as it stands in the bank's ledger, or, at anyrate, request that his interest be written in his pass-book in such a manner that he can ascertain whether or not it be correct.

I have already stated that a bank agent has his troubles, and I will proceed to enumerate a few for the edification of his clients. Some, even when interest is allowed, refuse to pay commission; and the manager, knowing that a rival will make the concession, gives way rather than lose a good account. A customer who keeps a large average credit balance can always make a little banking tour when he finds the manager hostile, and as the said tour is pretty certain to prove successful, he should take care that no commission is deducted from the interest due to him.

Many people are doubtless quite unaware that commission is sneaked in the manner described in this chapter by some banks in the North and in the Midlands. Others, however, understand the banks and their ways, and these "mean" customers, as the agents quaintly call them, drive some very close bargains. More power to their elbows, say I!

And there is just one other little point which, perhaps, may throw some light upon the peculiar ethics of joint-stock banking. If your account by any chance happens to be

overdrawn, the agent can find time to drop you a line, or even to give you a call, when he gently reminds you of the fact; but should you have a few thousand pounds standing to your credit, despite the fact that the sole object of his banking life is to oblige his clients, he only treats you to a nice bank smile when he sees you. It does not occur to him to draw your attention to the latter fact. Were he to do so, and did his directors hear of his disinterestedness, he would probably get the sack, for a Board would quite fail to appreciate so honest an agent. That is not exactly the kind of banking zeal which appeals to a bank director. Yet they sometimes prosecute their clerks for stealing. How interesting it would be if a bank director could be persuaded to give a lecture on the ethics of commission-snatching, or even to say what in his opinion really *is* stealing. Is it stealing to make up a customer's charges in such a manner that it is impossible for him to understand them? Oh, dear no, that is only bank stealing, not legal stealing, yet how slight the difference seems to the untrained mind. The distinction is so nice that it requires a person with a legal

mind to thoroughly appreciate it. My poor brain reels at the mere attempt.

The following illustration may prove useful to my readers :—

A correspondent, who keeps his account in a town where it is customary to allow interest upon current-account creditor balances, wrote me to the effect that he was paying $\frac{1}{8}$ commission on his turnover, and receiving $1\frac{1}{2}$ per cent. below Bank Rate interest. As a matter of fact, he did not quite know the rate the manager was allowing him, as, needless to say, it never appeared in his pass-book.

He called upon the manager, whom he asked to reduce his commission to $\frac{1}{16}$; but the agent declined, saying he was positive that no bank in S—— would accept an account on those terms. The manager was very firm, so I recommended his customer to try a little banking tour, naming a bank which, I thought, would meet him. My experience having been pretty considerable, it is not very difficult to select a likely bank.

S—— is a town of some thirty-six thousand inhabitants; and as there are only

three banks in the place, the choice was not a wide one. It was a business account, with an annual turnover of about £8000; and it was generally in credit from £700 to £1000—sometimes a little more.

My correspondent banked with a purely provincial banking company; and this class of bank, as a rule, charges pretty stiff rates. The one I named is a London and provincial bank, and the manager readily agreed to accept the account on the terms his own bank declined, and which the agent assured him were, to his certain knowledge, not procurable in S——.

Now, that agent was either a person whose banking respect for the truth was inconsiderable or else he was singularly out of touch with certain facts which must have been well known to every other bank-clerk in the place. Of course, had my correspondent accepted his banking word, then the account would have been charged as before; but he was not quite so simple as to attach much credence to the assurance of an interested party; and his scepticism was justified by the result.

The manager, when the customer first

called with reference to his rates of commission and interest allowed, asked himself whether the client intended going to extremes; and, apparently coming to the conclusion that he did not, he decided to refuse his application and to ridicule the idea that another bank in the town would prove more accommodating.

"This man," he possibly reasoned, "is only trying it on. He has heard certain rumours, and has just called, as one or two others have done quite recently, to see if there be any truth in them; and if I show a firm front he will let the matter drop as they did."

The customer, we know, very wisely did not believe him. He wrote to the manager, stating that an opposition bank was prepared to conduct his account on the following terms:—

$\frac{1}{16}$ per cent. commission on the turnover.

$1\frac{1}{2}$ per cent. below Bank Rate to be allowed on credit balances.

"In reply to a straight statement of the facts," writes my correspondent, "and a threat to change, the manager has to-day been to see me."

That is delightful. When he found that his customer really was in earnest he instantly changed his front and hastened to call upon him, for the account was worth keeping and he was anxious to retain it on his books. Then he took his client into his banking confidence. But what must the customer have thought of him?

He was prepared to do everything. His bank smile was so large that his being able to squeeze it through an ordinary-sized door was positively wonderful; for a bank-manager, when he is cornered, expands; and when he is pricked he bursts, because there is nothing in him but a mysterious element called wind.

My correspondent was merciful and did not prick him, though the temptation to burst him must have been great; and the manager promised to make the concession he had at first refused. He further promised to enter each charge and allowance separately in the pass-book in order that the customer could check them; and from the tone of my correspondent's letters I do not think that he will neglect to take so necessary a precaution in future.

The customer evidently did not wish to change his banker for certain private reasons of his own; but I have little doubt that, had he again approached the bank I recommended to him, he would have found that the manager would have accepted the account upon the undermentioned terms:—

A nominal commission of £1, 1s. each half-year.

An allowance of 1½ below Bank Rate upon credit balances.

The opposition bank was a stronger company than his own, so he would have been quite safe in making the transfer; but as the question is now settled, I do not suppose, even if he reads this, that he will move in the matter again.

Perhaps I may repeat here a little hint with reference to coupons. Some banks deduct $\frac{1}{4}$, $\frac{1}{8}$, or $\frac{1}{16}$ per cent. commission from the amount received before crediting the customer's account. I need hardly remark that the agent has not the common honesty to debit this commission separately. He simply collars it without notice; so the customer is often quite unaware that he is paying any commission whatsoever. Of

course, when checking the amount, allowance must be made for income-tax; and if the customer objects to the manager's deductions, he should protest, when, if his account be worth keeping, his name will be placed upon the "free" list.

When the value of the coupon is stated in a foreign currency the manager generally snatches something, as it is then more difficult for the customer to check the figures in his pass-book.

In conclusion, the mysteries of banking are not edifying; but the truth rarely is; and possibly that is why it is so seldom spoken in this little island.

CHAPTER VIII

THE KINDNESS OF BANK DIRECTORS

Several correspondents have written me asking how the banks treat their *employés*; and the question is an extremely difficult one to answer, because some banks treat their clerks better than others, though the majority, I should feel disposed to say, are distinctly callous. They fear public opinion, and for this reason they would be afraid to be notoriously brutal; but I do not think that the kindness of the director springs from any nobler source, and my correspondents appear to be of much the same opinion. It would certainly be somewhat surprising if it did.

A correspondent writes:—

"I am particularly anxious to know how they treat *employés* suffering from sickness or permanent ill-health?"

Frankly, they endeavour to get rid of

them in the cheapest manner possible. It is quite a matter of business—nothing more. They look upon a sick clerk just as a trader does a bad debt. Oh, their letters are most sympathetic—most. This particular variety of sympathy they describe as "deep," and the tone of the letter is distinctly—well, "tearful," while they are most profuse in their "regrets," "pained to hear," and so on, and so on. Their letters are quite fit for publication—would, in short, redound to their credit; but were some of their decisions made public, a pious person would look to see if they were dated from Hell or from Lombard Street, and express his mild surprise when he saw the latter address.

The Bank of England, I need not say, is above any meanness of this kind; and the London & Westminster, I have always been given to understand, treats its men well; but some of the banks are little better than nigger-driving shows. More especially is this the case with those pushing companies who have forced their way to the front recently. They have opened small offices in every direction, and their

managers receive from £100 to £150 a year, while they are often so inadequately staffed that the only wonder is an enterprising gang does not "hold up" a few of them after banking hours. A manager and two clerks are a by no means uncommon number; and sometimes, particularly during lunch-hours, a bank is left in the charge of one man. This is especially noticeable in the London suburbs, which are not exactly remarkable for the peaceful character of some of their inhabitants; and it is little short of disgraceful that large banks should expose their clerks to such risks. Again, suppose this one man were suddenly taken ill. The tills and safe would then be at the mercy of any person who felt disposed to walk in and help himself.

Banking companies of this variety pay their men wretched screws, both in London and in the provinces, and they make very short work of sick clerks. I think I can say, without fear of contradiction, that those banks which have come to the front very rapidly during recent years would be ashamed to publish their salary scales. A clerk of one of the largest English banks

told me that, at its head office in Lombard Street, the maximum for clerks was £160. Another huge bank, I know, brings up youngsters who have served their time in the country to its head-office at salaries of under £100 a year, and sweats them almost to death on the "walks."

Colloquially a "walks clerk" is known as a chained monkey, because of the case strapped round his waist. In this case are the cheques, bills, coupons, etc., which he has to collect in a certain time; and if he returns late, some bullying chief of a department will swear at him until he goes blue in the face. It would be difficult to describe the ruffians one sometimes meets in authority behind a bank counter. In Threadneedle Street there is a chief of a coupon department who is quite famous for the ease and facility with which he discharges volleys of foul abuse at his chained monkeys when they are late. Such a low blackguard would not be tolerated even in the bar of a public-house; but he is useful to a Board of directors who have a place for bullies in their system. These ruffians are kept at the back. The customers seldom come in contact with them, for their

"bank" manners might give offence; and those young men whom one sees behind the counter are carefully selected on account of their nice "bank" address and the cut of their "unmentionables," as sartorial embellishments are supposed to be not altogether thrown away upon the male client, while the female customer is thought to have a weakness for well-dressed bank clerks. If she decide to take one she will find him an expensive animal to keep. The article, I am disposed to think, is at a decided discount; but there can be no harm in just making a little tour round Lombard Street and inspecting them behind their *grilles;* for, like the monkeys at the Zoological Gardens, their directors have carefully wired them off from the public, customers being obliged to push their nuts (credits) under the *grille.* In vain one looks for the admonition:—

"Visitors are 'respectfully' asked not to tease the animals."

"Why is not that fierce-looking old gentleman in the corner marked 'dangerous'?" a critical lady visitor inquires of her friend, who replies,—

"I don't know, dear. He certainly does look rather ferocious. Suppose we take our 'nut' to that inoffensive-looking little band-box in the middle of the wire-netting?"

"I rather like the look of that old gentleman with the flowing white beard," her friend replies. "He appears so highly respectable. Shall we give him our 'nut'?"

Whereupon the lady visitor raises her gold eye-glasses and gazes severely through them at the old gentleman who is adding up a column of figures.

"No," she replies emphatically. "Observe his nose, dear. It does not match his white beard at all. I am afraid that he either suffers severely from indigestion, or else that his habits are—well, nocturnal."

"At *that* age!" observes her friend.

"Vice," returns the lady visitor, "has no age-limit. Were such the case, my husband's father would have died almost a millionaire, when our circumstances would have been much more conducive to a harmonious existence."

"How sad it is," remarks her friend, "that an if always seems to separate husband and wife."

"What can I do for you?" asks the owner of the flowing beard, with a sympathetic smile, which seems to indicate that he overheard the last speaker's remark.

Whereupon the lady pushes her "nut" under the wire-netting.

"Four five-pound notes," she says, "and the remainder in gold."

Then she changes her mind and thinks that she would like a little silver. She complains that the notes are dirty, asks for some half-crowns and a few sixpences, and, just when the cashier is beginning to give thanks, suddenly changes her mind again, and thrusting a five-pound note under the wire-netting, rattles off another little song with something about threepenny-bits in it, adding,—

"Please make haste. I have a train to catch."

"Thank God, Johnson," says the old cashier to the man at the next desk, as he watches, with infinite pleasure, the ladies making for the door.

And Mr Johnson, raising his eyes from his scroll, exclaims with feeling,—

"It's enough to drive a poor man to the drink!"

But as we are dealing with the kindness of bank directors, I shall probably be told that this digression is quite irrelevant; so, perhaps, it were better to return to my subject. Personally, I do not believe very much in the kindness of anybody; but to imagine that a Board of bank directors has any feeling seems to me to denote an ignorance of business methods that is positively remarkable. These men are on the Board to make dividend. They are business persons; and a business person, we know, when he has no further use for an *employé*, gives him the sack. That is business; and that is what bank directors do without the slightest hesitation.

In the small towns their managers sometimes have a reputation for banking piety; and this farce, of course, must be kept up. The Board sanctions small subscriptions of £1, 1s. or so to local charities; so, it would appear, the Thing seems to own up to a little moral responsibility. The idea of a Board of bank directors subscribing £1, 1s. to a soup-kitchen seems to me extremely funny. One would as soon expect to see the name of a suburban agnostic on a list for the propagation of the gospel among the Jews.

The Board endeavours to live up to its local reputation; and when a clerk offends they pack him off to a large branch, when, in a few months, he is quietly thrust into the street with, perhaps, a month's salary in his pocket. Had the directors sacked him at the small town, the man might have hung about the street corners; so, to prevent an exposure of this description, our humane directors cast him upon the streets of a big city to die in the gutter for aught they care.

As an example of their brutality, the following true illustration may prove useful:—

A clerk, who wrote an indistinct hand, and who was a failure, had been sent by a very large banking company to one of its largest branches in the North. The man, I daresay, had been in their service from twenty-five to thirty years, and he was receiving £160 per annum.

The accountant at the branch was complaining of this man to an inspector.

"They send all the lame ducks to us," he grumbled. "Old A—— is only fit for a collecting clerk. He writes so badly that I can't give him any other work."

"Put him on the London letter," advised the inspector. "If they can't read his writing up there they'll soon send down for his name and sack him."

The suggestion was brutal in the extreme, but the inspector evidently understood the methods of bank directors, though he doubtless little thought that his words would find their way into print. It is not the custom of the banking world to take the public into its confidence in so open a fashion.

An examination of the system will soon prove that it is a brutal one. The directors place one clerk at the head of a branch and call him the manager, though in reality the advances are made through a department in London. To this apotheosized clerk they pay a fair salary, and it is part of his business to grind down the rest.

Of course this is joint-stock trading. A company's first aim is to reduce expenses, therefore it pays one man a large salary, and this man has to assert his authority over so many underpaid subordinates. A bank is a mere Thing, a soulless company, consequently it functions like any other dividend-paying institution, and it is absurd

to think that bank directors are kind to their servants.

The little votes of thanks one reads in the reports to the members of the staff for their services are mere twaddle, and the patriotic allusions to those gallant young men who, during the war, volunteered is another piece of banking humbug, for the directors quite well know that the clerks had to work overtime in order to do the work of the absent ones. Pretty patriotism! Surely it would have been better had certain bank directors confined their remarks to the state of the accounts; for such patriotic utterances are a little too banking cheap. They sweat their clerks in order to pose as patriots. What part *will* they play next? That, of course, depends entirely upon which way the wind blows.

They are business philanthropists, and when it is policy to be kind they are kind, but not until. Surely it is not kindness to bring up youngsters from their country branches to London on salaries of from £90 to £100 a year, and to sweat them almost to death on the "clearing."

My correspondent asks how they treat

sick clerks. I can give him an illustration of how a bank with over forty millions of deposits treated a cashier who was suffering from deafness. A customer (of course a woman) complained that the teller was not civil to her, and her indignant papa wrote a letter to the manager, who promptly sent it to the London people. Most bank managers are sneaks.

The teller was ordered up to London. He was a delicate man of about forty, and he wrote to the directors, explaining that he was somewhat deaf and therefore had not heard his fair questioner. He also enclosed a certificate from his doctor stating that his health was so poor that London air, if it did not kill him, would certainly shorten his life.

These kind directors, however, proved inexorable. What if London air did kill the man off? They did not consider him a particularly zealous clerk; and, besides, if he died, they would save his pension. Many men are weeded out at about thirty in order to save that. Otherwise it would be a little strange that it takes these kind gentlemen fifteen years to discover that a

man is incompetent. They doubtless would say: See how long-suffering we are. Yes; and how patriotic!

To make a long story short, the cashier had to go to London. The bank has branches in almost every county in England, and yet these directors deliberately sent a man who, through no fault of his own, had offended a customer, to a place which a doctor said might kill him. They did not, however, reduce his salary. This case is by no means an isolated one, and I think that it illustrates fairly the kindness of the bank director.

When a clerk breaks down he is allowed his full salary for say, two or three months, and should his sickness prove permanent, then the directors pension him off as cheaply as they can, if there be no possible escape for them.

The fierce competition which is now in progress has, I think, made directors less disposed to treat their clerks well. They have huge dividends to maintain, and it stands to reason they cannot surrender themselves to the dividend-rage and at the same time treat their men liberally. Twenty years

ago, when competition was less severe, some banks certainly behaved well to those men who were incapacitated through illness, but I question whether liberal treatment is not the exception nowadays. Many banks, we know, have a pension scheme, and some insist upon their clerks insuring their lives, because they do not wish their widows and children to apply to them for assistance. This they quaintly call encouraging thrift. It is really quite astonishing how few things are called by their right names in the financial world.

Again, take the following case of banking kindness. A bank clerk, in the same company as the deaf cashier, married the daughter of a lady who kept a lodging-house. The lady did not find that she could supply paying-guests with home comforts at a profit, and being compelled to raise money, she persuaded her son-in-law to back a bill for her.

The home comforts trade, however, did not look up, and the young man was asked to pay the bill. Of course he could not, and in the end he was obliged to throw himself upon the mercy of the bank direc-

tors, who gave him a few months' salary and flung him into the street.

The man was a ledger clerk, who must have been with them some twelve to fifteen years. Further, he was a steady man of good character, yet these directors cast him out as though he were a thief. And, pray, what is a bank director who instructs his managers to enter charges in customers' pass-books in such a manner that they cannot understand them? If he be an honest man, then—so am I!

Some of my readers doubtless know that certain bank directors take so "deep" an interest in the welfare of their clerks that they forbid any *employé* to marry unless he is in receipt of a certain salary. Strange to say, we went to war with a country because it would not grant Englishmen the franchise; yet here, in our midst, are men who arrogate to themselves the power of decreeing that an *employé* shall not marry unless his salary be such-and-such a sum. Is this country to be ruled by a pack of dirty, money-lending Jews?

A bank which makes such a rule as the above obviously underpays its servants, for

the older and better-class companies have not yet descended to this depth. In the face of this it is somewhat amusing to call England a free country. Why, if a director dared to approach his workmen in this spirit they would rise against him to a man. They have had enough of his "sympathy." They know his "kindness" of old; and, very wisely, they have combined against him. Until the clerks do the same against the tyranny of the companies they will never get fair play.

We are hearing a great deal just now about the tyranny of the men and their Unions. But consider for one moment the position of the clerk. He is sweated, underpaid, despised; and he is afraid to raise his voice. Why? Simply because he has not a Union!

The companies complain of the despotism of the working man; but their directors are convicted by their own conduct towards their clerks. Why should they be any "kinder" to the workman than they are to the clerk. Of course, if there were no Unions these directors would immediately begin to sweat him too. They would pay

a ganger a good wage, just as they now do a manager or secretary, part of whose business it would be to sweat the men. A clerks' union would, if it were successful, soon do away with the overpaid "official." There would be no occasion to apotheosize a certain individual, because a fair wage would have to be paid to each clerk; consequently, the "ganger" would not be wanted in an office. At least, his most important function would be gone and he would be paid merely to manage the office.

The present system is simply iniquitous, and, what is more, so it will remain unless the clerks, like the workmen, combine. And is any person so simple as to imagine that these directors, who systematically sweat their clerks, would not extend the same system to the workmen if they could only smash their Unions? They would immediately lengthen their hours and reduce their pay. Their philanthropic speeches are mere blinds, which they discreetly draw over their windows; and it is quite time that they were torn down, so that the public can at least see the game they are playing.

Directly a firm is converted into a limited

liability company this policy of concentration begins. Old servants are sacked, and a "ganger" is paid a good wage to drive the machine. Moreover, it is quite amusing to see how the underpaid clerks toady to the "ganger." The supply is much greater than the demand, so much greater that the system works famously; consequently, London is honeycombed with small sweating-shops; and we have seen that some of the large banking companies are not one whit more "kind" to their *employés* than is a fifth-rate limited liability company with two rooms in a back street.

Until the following case was brought to my notice, I had always been under the impression that those banks, which have adopted a marriage-minimum for the good of their underpaid clerks, would not actually "sack" a man who got married in spite of his directors. Their advice was excellent; and no married man would dispute the wisdom of it; but their brutality eclipsed even the soundness of their views on domestic affairs. Doubtless there are gentlemen upon the various Boards who are entitled to speak with authority upon

both wine and women; and the decree seems to bear the stamp of their ripe judgment. There is an M.P. on the Board of the bank in question. He, of course, should be an expert—a parliamentary expert as to who ought to marry. Why does not the kind gentleman introduce a bill suggesting a marriage-minimum for the Nation? And this domestic legislator, perhaps, might like to sound the Colonies on the subject? Their answer would be sharp and short. What a domesticated M.P.! What a Papa for the Nation!

This bank is a "clearing" institution, and its marriage-minimum, I fancy, is £140 per annum, but I am not quite certain of the figures. A clerk, without the knowledge of the directors, and in defiance of their precious "marriage-minimum," took unto himself a wife. Oh, yes, the Church gave its blessing. The young man's opinions were quite orthodox in that respect, though he did not hold the same banking views on marriage as his paternal directors.

For many months he wisely refrained from alluding to his domestic affairs; but, one day, he let the cat out of the bag, and some

office sneak reported the fact to the manager, who wrote a letter to the Board. The clerk was sacked.

He was too disgusted to beg for mercy, and occupied his time answering advertisements, with a result which is only too well known to those bank clerks who have tried it. His experience of the world was small; and he told all and sundry who his father was and what his uncle was. Of course, they did not care a hang about his big relations. Letters of this kind should be sharp, short, and to the point. Business people really do not want to read about either our uncles or our aunts. He learnt the art in time—the difficult art of condensation. His wife taught it to him.

The lady had, before her marriage, enjoyed a business training, and, enraged by his want of success, she took up the pen and wrote a letter. She remembered, when in business, how her employer used to laugh at the letters of applicants who related the many virtues of their ancestors as well as their own, and that it was his custom to select the writers of the shortest epistles for an interview. He copied her note,

and, for the first time, he received an answer.

The last refuges for the destitute appear to be the insurance companies and the wine trade. Sacked bank clerks, after being buffeted about in the ocean, as though by a miracle suddenly find themselves in one of these channels, and there they drift with the tide, like derelicts, at the mercy of every storm.

This man was appointed an inspector of agents to an insurance company at thirty shillings a week. About the life I know nothing whatever, for the tide took me in an altogether different, and somewhat unusual, direction—so unusual that I think the facts would make a most amusing book.

A bank clerk, when he is suddenly cut adrift, finds himself in an unknown world. He rubs his eyes, and wonders where on earth he is, for everything seems so different to what he had *imagined* it to be. The fierce light blinds him ; his brain swims ; he cannot even collect his thoughts ; and his *opinions* have all vanished. He has not a single one left.

It takes an animal which has been wont

to feed on herbs many years to accustom its stomach to a meat diet. A bank clerk is a spoon-fed biped. From his early youth he has been accustomed to walk into the bank at half-past nine; and there he remains, like a bird in a cage, until five or six in the evening. Those who spend their evenings in public-houses (and there are not a few of them who find the atmosphere inviting) fancy that they understand the ways of the strange men and stranger women to be met there; but, no—that experience has to be bought in another school. One cannot take it in through one's eyes. It has to be learned in the streets, in the open market. A caged bird cannot possibly understand the impulses of its wild kindred who have to find their own food—somehow. They have no "kind" directors to feed them night and morning, no cage or bank into which they can retire for a meal. The bank clerk who leaves his "cage" after thirty runs terrible risks; and to turn them out, as directors do, when they are from thirty-two to forty, is simply a cruel shame. The directors quite well know that they are fit for nothing but banking at that age; but their "kindness"

is as peculiar as their "patriotism." Both help to increase the dividends.

The magnificent salary of an inspector of agents did not satisfy the ex-bank clerk's wife, who left him and returned to business. Finally, my informant tells me, she went on the streets. So much for the marriage-minimum of a well-known "clearing" bank and the kindness of its directors!

The following extract from a letter, which appeared in the *Financial News*, will illustrate the kindness of Scotch bank directors:—

"I had the misfortune to enter the service of a Northern bank having its head-office at Aberdeen. My salary, after five years, was £30 only, upon which I could not have existed if I had had no parents. A year afterwards, on my promotion to the princely sum of £50 per annum, I showed my gratefulness by quitting the bank and entering a more lucrative field of labour in London. Of course, many bank clerks were less liberally treated. In one bank at least there was a most undesirable system. The head-office paid the manager (or agent, as he is called in Scotland) a fixed sum for his salary

and service of clerks. The consequence was the unfortunate officials under this system, after four or six years' service, received as salary a sum that a London errand-boy would turn up his nose at.

"Agents continually worry their customers with the question, 'Have you got'—no; not that £10 note—but, 'Have you got your life insured?' It is unnecessary to say that the poor clerk has to do the agent's outside work for the love of seeing his master wax fat.

"Scotch banks seldom promote their officials to agencies. The local solicitor, farmer or grocer secures the post; and the accountant has to take care that ignorance of banking on the part of his chief causes no blunders. Occasionally, an aspirant to an agency gets appointed to some God-forsaken place, and generally dies there; for it is practically a 'lifer.' What does Mr Warren think of this state of affairs north of the Tweed?—Yours faithfully,

"SANDY MACPHERSON.

"LONDON, *November* 7, 1900."

I think that it is immensely funny, for the

half-yearly reports of some of the Scotch banks are simply reeking with titled directors. Indeed, when one runs one's eye down a list, it reads like a page from Walter Scott. All the so-called glorious names in Scottish history seem to meet one's eye; and to think that the descendants of these piratical old skull-crackers are perhaps managing a vile sweating-shop disguised as a bank. What would their Walter think of them now? He was intoxicated by their rank and wealth; but he never fathomed the depth of their dirty, tyrannical little souls.

The above letter speaks for itself. Here are Scotch bank directors, who, like a dirty Jew tailor, pay an agent to sweat and oppress the clerks. No wonder the Scotsman is hated in London. Some English bank directors are brutal enough; but I do not believe that there is a single large bank south of the Tweed which sweats its clerks to the extent described in this letter. Any bank which requires the services of a manager, who will, if paid a good salary himself, sweat the clerks to death, cannot do better than take a few Scotsmen into their service. They will do it for them—and *so* piously.

The Jew's nose is somewhat against him; and even when he has been "duly" converted, he is seldom popular; but the Scotsman is so fatherly in his manner, so sympathetic, so ready to give advice, and so regular in his attendance at church. He is the Jew for the banks. And not only for the banks, but for every English company which desires to sweat its *employês*. He does not swear like the Englishman—at least, not to quite the same extent; and he looks *so* respectable. And what words of comfort he has for the orphan and the widow, or for those who are in distress. The tears are in his voice. And his eyes—how tender they are. And the whisky! Hardly the breath of a saint; but, still, even with his little failing, with his one redeeming vice which keeps him just human, he makes an excellent bank manager. We can see from Mr Macpherson's letter that he does!

A Scotch newspaper, when reviewing one of my books, said:—

"Of course, the author's remarks do not apply to the banks north of the Tweed."

Indeed! I have reason to think that they do, that their customers will find a "little

banking tour" pay them extremely well, that, in short, Scotch bank managers should be dealt with in precisely the same manner as English bank managers.

I know that there are only ten large banks in Scotland, but they are all rivals, and touting for desirable accounts is not by any means unknown north of the Tweed, whilst I am assured, by a Scotsman who knows them, that it is quite amusing to listen to one agent running down the agent of a competing bank. The one does not think the ways of the other at all nice, and *vice versa*.

I should not have touched upon the "kindness" of bank directors had I not received so many letters making inquiries as to how the banks treat their *employês*, and though a few of the better-class banks, I dare say, are fairly considerate, the very great majorty of them adopt the system discussed in these pages.

The remaining chapters of this volume deal with the position of the Australian, African, and Indian banks in London.

CHAPTER IX

THE AUSTRALIAN BANKS IN LONDON

WHEN discussing the Australian banks one reverts instinctively to 1893, the year of the crisis, which came as a rude shock to the British public, and enveloped those institutions in a cloud of suspicion for many years. Among the banks then in London four only came through the ordeal with flying colours, viz., the Bank of Adelaide, the Bank of Australasia, the Bank of New South Wales and the Union Bank of Australia.

The following table, perhaps, will give a reader some idea of the severity of the panic :—

	1891.	1893.	1896.	1900.	Highest. 1891.	Lowest. 1897.
Bank of Australasia, Div. p.c.	14	$8\frac{3}{4}$	5	$8\frac{1}{2}$	$105\frac{1}{2}$	44
Bank of N. S. Wales, ,, ,,	$17\frac{1}{2}$	$13\frac{3}{4}$	9	$9\frac{1}{2}$	$76\frac{1}{4}$	35
Union of Australia, ,, ,,	14	10	5	$6\frac{1}{2}$	$69\frac{1}{2}$	$25\frac{1}{2}$

A glance at the above list tells us only too

plainly how severely the holders of shares in these banks suffered; and by comparing the dividends distributed in 1893, the year of the panic, with those paid during 1891, when prosperity was at its zenith, the terrible times through which the banks passed is easily gauged, and, of course, after so violent an upheaval, depositors were naturally nervous; consequently, the banks for many months following this disastrous year in their history had to support a constant drain upon their resources. The dividends of 1896 tell that tale pretty plainly.

Depositors were nervous, fearful of another violent reaction, and an angry Press did not improve matters. Shareholders, too, became alarmed, and allowing for accretions to capital, it is evident, from a comparison of the highest and lowest prices, that nervous members dropped large sums when they sold their shares. Then during 1898, 1899 and 1900 matters began to mend. Dividends increased, and prices moved up in sympathy with them.

Of course, many banks closed their doors. Calls were made upon their shareholders, and arrangements were come to with their

depositors, when their doors were opened again. Some of these banks, we shall see, are patched almost out of all recognition, and they should serve as a warning to those institutions which think that they can neglect ordinary banking precautions with impunity. Others were wiped out of existence. All the patching in the world could not stand them on their weak legs again, and perhaps it was quite as well that they paid the price of their folly.

The Bank of Adelaide, the Western Australian Bank and a few other carefully-directed companies faced the crisis with ease, and perhaps were even benefited by it; for with the large companies in trouble, it was an excellent advertisement for a well-governed institution to prove that a banking company which understood its business could live in such a sea of trouble. Of this fact the two banks in question gave a splendid illustration, and to-day they rank among the safest banks in Australia.

The events which led up to the 1893 crisis are extremely interesting, and prove that corporations, like individuals, have to buy their experience, that they will not be guided

by the past experience of others of their kind. More especially is this the case where the environment is distinct; though a credit bank, whether it be rooted in England, Australia or Africa, can, from its construction, only adopt one policy with safety, and that is a cautious one.

In fact, the younger the country the more cautious should be the policy of its banks, because in all new countries the principal asset of the community is land. The customers of the banks do not possess tangible securities which can be sold at a moment's notice, as is the case in England. Advances, therefore, should be made most cautiously, and liquid assets should be abundant, because during a time of stress land is almost unsaleable.

Naturally, banks which advance against securities that are not tangible obtain much higher rates than those current in this country, because their risks are greater; and if they choose to trade with large proportions of their deposits, then they can make huge profits, but a period of inflation is bound to set in. A slump is certain to follow it. Then depositors become nervous,

Withdrawals take place, and those companies which are trading with too large a proportion of their deposits are compelled to close their doors.

A new country, be its future ever so brilliant, is certain to pass through periods of wild speculation. Prices of land rush merrily up, and the public, mad to be rich, always buys largely during a boom, that is to say, just at the very moment when it ought to hold aloof. If the banks, by discounting and advancing recklessly against land and house property, encourage this gamble, a certain number of them must be swept away when the tide ebbs.

A gentleman who resided in Melbourne during the 1893 crisis wrote to the *London Stock Market Report*:—

"During the six years from 1887 to 1892 there had been a steady and persistent gamble, mainly in suburban land suitable (or unsuitable) for building purposes, and the invariable reaction set in during 1893. This gamble was encouraged by the banks, which discounted for all and sundry bills which were no better than waste paper.

Those sellers who were first in the field mostly came out on top, and, as is generally the case with nearly every gamble in securities of whatever nature, the last buyers were left sore and lamenting."

How true is that last remark! The public comes rushing in on a rise like a whirlwind. It is greedy. It is not polite to say so, but that strange entity the mysterious public, whose caprice no man can gauge accurately (he would be rolling in wealth were he able to), is distinctly greedy. It wants to make money without working for it. Most of us would like to—the most Christian of us. It would be so nice to do good to *others* with it. The public, week in week out, sees prices rising, and watching rising prices makes it giddy. Suddenly a brilliant idea strikes it. Why should it not have a little flutter while the sun is shining? It does not reason, for if it did it would hesitate. It simply rushes in like an avalanche, and the game is up. It has got its securities, but it has lost its money.

A speculator's objective is to get the public behind him. If he can do that his

fortune is made; but simple as the game looks, it is one of the most difficult in the world to play successfully. He knows that he must send them "up" and "up" and "up," and then clear out when the public rushes in; but he generally ruins himself before it does. He has to arouse its curiosity, to arrest its attention, and, finally, to make it mad with greed. His own funds are apt to give out before he succeeds.

My correspondent concludes:—

"The banks were undoubtedly greatly to blame, but they did not originate the trouble, which was caused by that passion for speculation inherent in the human race."

Alas! That is only too true; and it is equally true that, though we all know the folly of it, our memories are short, and that before many years are over we shall be plunging blindly again, as though madly endeavouring to make up for lost time. Of course, the banks did not originate the trouble; but instead of trading prudently, instead of husbanding their resources during a boom, they deliberately helped to finance a gamble, and when the inevitable reaction set

in, they suffered with the rest. Now, a good banker takes care that all losses are borne by his customers. That, in short, is the policy of a joint-stock bank, and precedent clearly proves that, when it departs from it, disaster is invariably the result.

For some three or four years previous to 1893 Australia was advancing very rapidly, and no doubt this progress engendered severe competition among the banks, each being anxious to gain business and to increase its distributions.

Unfortunately, many of the shares were held in this country, and large sums were drawn from us in the shape of deposits, with which the Australian banks allowed their customers to gamble—for a gamble it was in the most reckless sense of the word.

For a few years all went merrily. Australia, we were told, was a perfect Eldorado, with simply boundless natural resources, which, when developed, would astonish the world, and make speculators rich beyond the dreams of avarice.

Moreover, there was much truth in the assertion; but even Australia could not withstand the policy of spoliation which was

forced upon it by the capitalists and the speculators. She is a splendid horse; but in the end these men rode her almost to death, and, more cruel still, left her to struggle out of the difficulty as best she could.

Depositors in this country were blinded by high rates of interest, and shareholders by huge distributions. The banks, with a disregard of the future, which must now strike their directors as suicidal, advanced out of all proportion to their working resources; and customers, who were able to borrow money freely upon inflated securities, doubtless began to share the opinion that Australia had a charmed life, quite overlooking the awkward little fact that she was encroaching upon her capital, and that they themselves were living in a fool's paradise.

Securities were quoted at figures which were considerably in excess of their intrinsic value. The banks, making a totally inadequate provision against the ordinary risks of a banking business, lent much more capital than they could afford to lend, thereby encouraging their customers to gamble, and accentuating a position which was untenable.

This evolution was a gradual one, and, at first, the result of steady progress. Out of this progress was manufactured the boom of 1892 to 1893, when the pace became simply furious. Now, had the banks been well managed they could have saved the country. By assisting the really strong men, and by refusing to touch or to renew any bills that were at all doubtful, while readily discounting good paper, the banking companies could, at least, have saved the situation ; but we know that they were too hard hit themselves. Their only only thought was, "How can we escape ?"

But their brilliant directors had, of course, been gambling, not banking. Their banks were as rotten, in most instances, as their customers' securities. They could only save themselves by first saving their customers, and those that were unable to do that had to either close their doors permanently, or until they could come to some arrangement with their depositors.

It seems to me that, when a country is experiencing a severe crisis, when business is almost at a standstill, and everybody is afraid to trust his neighbour, the banks alone can

save the situation. Such being the case, surely it is only a reasonable proposition that the Government should compel the banking companies to maintain a certain proportion of cash in hand (legal tender) to their public indebtedness.

If, when credit is bad, the banks of a country are weak, then that country may become bankrupt; and seeing that directors are mere tradesmen, who run them for gain, surely the Government of every country should have some voice in their control. The banks, given certain conditions, may ruin a country, and it seems dangerous to leave such power in the hands of men whose principal objective is to pay a dividend. A joint-stock company has no soul and no patriotism, and Things of this description, in their search after profit, often neglect the interests of a nation, despite the fact that, were the subject thoroughly understood, it would be evident that the interests of each is identical, for a weak bank, during a crisis, is wiped out of existence, and no amount of profit will compensate it for such a fate. We have seen, however, that very many Australian banks accepted the risk, and naturally

enough they paid the penalty. But had the various Governments insisted upon their maintaining, during normal times, say, a ratio of 20 per cent. of cash to public liabilities, the probability is that not one of them would have suspended in 1893.

The banks could not have prevented the gamble. They did not originate it; but they did encourage it, and, what is more, largely financed it. Calls, we know, were the order of the day in 1892 and 1893. Thousands of shareholders were ruined, and thousands more were seriously inconvenienced, whilst it was often impossible for depositors to withdraw their money. Some of the "schemes of arrangement," too, were not above criticism. The position of both the banks and their customers was a truly terrible one.

This policy belongs to the past, though it does not reflect much credit upon the ability and judgment of those directors who, with their eyes open, and with the disasters which characterised a similar movement in this country staring them in the face, steered their ships into such a sea of trouble, out of which the splendid resources of the country alone dragged them.

Small wonder, then, despite the proverbial short memories of investors, that the public should still hesitate to trust the authors of so mistaken a policy.

Such a fatal blunder, it stands to reason, was not to be repaired in a year, or, indeed, in a decade; and we shall see that some of the banks are still seriously handicapped by the crisis of 1893. Some of them advanced too largely against station properties, and when the slump came, had to take them over and farm them themselves.

Wherever it is evident that a bank has land on its hands, or is engaged in some business other than that of banking, the public would be well advised to give it a wide berth, for disaster is pretty certain to overtake it sooner or later. The time will come when the particular business in which it is engaged will undergo a period of acute depression. Then, in order to bolster up the said business, the bank will be compelled to transfer additional capital thereto; and this drain may reduce its ratio of liquid assets to its public indebtedness to a dangerously low percentage, while, should the public become nervous at its state of unpreparedness and a

run ensue, the bank would be obliged to close its doors.

We next come to deposits, and it must be remembered that the Australian banks, unlike our own, encourage deposits at long notice. It seems a pity, therefore, that they do not carefully distinguish in their balance-sheets money which is due one, two, or three years hence, as the case may be, from that due on demand, for a bank obviously does not require to hold so large a proportion of cash in hand against £100,000 at from one to three years' notice as it would against a like sum payable at call. On the other hand, these "fixed" deposits may be gradually withdrawn as they mature, and a bank can by no means trade as freely with them as it can, for instance, with the paid-up capital of its members. The danger of a sudden withdrawal is averted, but they may prove a constant drain upon a bank's resources, if its credit be bad, for all that; consequently, a fair reserve against "fixed" deposits is an imperative necessity.

After making careful inquiries, I find that some of the Australian banks refuse deposits at call except from their own customers.

Others will not take sums of less than £100 or £200; and the rate at the moment is 3½ per cent. for one or two years fixed. Another bank quotes 3 per cent., and yet another allows 3 per cent. for one year fixed, and 3½ for two and three. A reader, if he be satisfied with the position of any bank reviewed in these pages, can apply to the manager for particulars.

It would be an exaggeration to say that the Australian banks, as a class, in spite of the noticeable improvement in their position during recent years, are as strong as our own, for they most decidedly are not, but when the English companies are only allowing 1, 1½, or even ½ on deposit, there seems no reason why money should not be deposited with the strongest of the Australian companies; and these will be carefully indicated in my pages.

Remembering that a certain proportion of their deposits are "fixed," and that, therefore, the danger of a *sudden* demand on the said proportion is removed, I would suggest that an Australian bank which has £40 in liquid assets to each £100 it owes to the public can be trusted without fear, provided, of course, that the said assets really are liquid. We

shall find very few of them in so satisfactory a position; and the Bank of Adelaide and the Western Australian Bank, two companies which are particularly strong and well managed, are noticeable exceptions of what banking companies ought to be, rather than representative of the Australian banks as a class.

The large Australian banking companies, we shall see, possess from £30 to £35 in liquid assets to meet each £100 of public indebtedness, and though these ratios seem too small, I do not think that the banks, seeing that a large proportion of their deposits are "fixed," can be called unsafe. At the same time, the tendency most decidedly ought to be in an upward direction, and when a person leaves money with an Australian bank which has only, say, £32 or £33 in liquid assets to meet every £100 of its public indebtedness, he should take care that the said liquid assets consist of cash and undoubted securities.

Where this ratio is below £30 to each £100 of a bank's liabilities to the public, I myself should not care to deposit with the institution; but this is only one man's

opinion; and my readers are quite as well able to judge as I—probably better able, in fact. Then, again, when the liquid assets ratio is low, the risks of a bank's shareholders are very appreciably increased; and members, with the 1893 crisis green in their memories, most decidedly ought to consider whether they be in a position to accept such heavy responsibilities. I certainly should not care to hold shares in an Australian or any other bank which only possesses £25 in liquid assets against each £100 it owes, because, in the event of a panic, it would be one of the first to close its doors.

A customer, too, should select a strong bank; for he does not wish to lose his current-account balance, or, when his account is overdrawn, to risk having his business ruined through his inability to find another banking company that will advance against his securities. Therefore, it is to the interests of customers, depositors and shareholders to take care that they deal with a strong bank; consequently, they should only encourage sound banking institutions; for a large bank which has but £25 in liquid assets to each £100 of its public liabilities is

a menace to the solvency of the district in which it is situated.

I maintain that it is the duty of the joint-stock banks to keep their assets sufficiently liquid so that, should credit become bad, they would be in a position to, if it were necessary, save the country; and if they neglect this duty, then it is the business of the Government to step in and make them perform it.

Now, the Australian banks, in spite of their improved positions, are, as a body, very far removed from ideal credit institutions; and were the country to experience another panic like 1893, I question if 50 per cent. of the companies discussed in these pages would be able to face it successfully. The stupid policy of bank directors has been the curse of Australia; and it is a little disquieting to find that some of the banks in London are only fair-weather institutions, that a gale of considerable violence would shipwreck them in a very short space of time. Perhaps, therefore, this book will help a reader who is anxious to select a strong bank with which to do business.

A few lines on the points to be particu-

larly noticed will probably prove of some assistance to those readers who have not studied the question. This class of bank borrows money from the public on current-account, on deposits at short notice, and on deposits "fixed" for one or more years. They have, therefore, to be in a position to meet all reasonable demands promptly; consequently, the greater the proportion of legal tender in hand to liabilities the stronger is the bank. Cash, it should be remembered, is a bank's most vital asset, because a credit institution's very life, in the event of a run, depends upon its ability to liquidate its indebtedness to the public by means of it; therefore an abundant supply of cash is the strongest point in a bank's favour.

Secondly, we have to examine the investments of a banking company; and if these be abundant, and of such a nature that they can be readily sold, the bank, provided it has a good supply of cash, is well managed.

Thirdly, we come to "money at call and short notice." This entry consists of money lent to bill-brokers, stock-brokers, etc., for short periods; and though it is more liquid than advances, it would probably be difficult

to call in during a panic, and, consequently, is less to be relied upon than gilt-edged securities.

The various banks in London will be discussed alphabetically; and the first, therefore, is :—

THE AUSTRALIAN JOINT-STOCK BANK, LIMITED.

LONDON OFFICE: 2 KING WILLIAM STREET, E.C.

DATE.—DECEMBER 31, 1900.

Ratio p.c. of Coin, Bullion, Bankers' Balances, etc., to Liabilities to the Public.	Ratio p.c. of Bills in London and Remittances in transit to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Capital to Liabilities to the Public.	Ratio p.c. of Inscribed Deposit Stock to Liabilities to the Public.	Ratio p.c. of New Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills, Advances, etc., to Liabilities to the Public.
11·84	2·23	3·50	17·57	19·22	12·97	·85	33·04	111·25

Capital—

156,602 shares of £10 each . . .		£1,566,020
Less Uncalled . .	£391,505	
Instalments in Arrear .	6,473	
		397,978
		£1,168,042
Inscribed Deposit Stock		£788,267
New Reserve Fund		£52,000

The Australian Joint-Stock Bank was

established in 1853, so it has been in existence some forty-eight years, but age does not appear to have strengthened its position; and though, in a sense, the above ratios are somewhat misleading, for reasons which will be explained later on, it is quite evident therefrom that the good ship has been sailing in troubled waters, that it is one of those much-patched vessels alluded to in my introduction.

A glance at the Capital Account tells us plainly enough that the shareholders have little cause to thank those who were responsible for the bank's management prior to 1893; and the depositors, too, I should imagine, were not then in a very happy frame of mind.

Liabilities to the public are given as—

Fixed Deposits, A and B series		£4,513,327
Accrued Interest on all Fixed Deposits and Inscribed Stock		88,411
Notes in Circulation	£134,288	
Bills in Circulation	150,426	
Balances due to other Banks	10,981	
Current Accounts and new Fixed Deposits	1,179,605	
		1,475,300
		£6,077,038

£1,475,300, we are told, is a prior charge on all the assets of the bank. It follows, therefore, that the Company's depositors are divided into Preferred and Deferred creditors. The Deferred, we can see, are the holders of the 3 per cent. A and B Fixed Deposits, and the 3½ per cent. Inscribed Stock, while the Preferred consist of those within the charmed £1,475,300; and, assumably, all future deposits and current-account balances will rank as a first charge.

Cash assets are put down thus—

Coin and Bullion	£574,491
Cash with London Bankers . . .	85,791
Queensland Government Treasury Notes	32,187
Notes of other Banks	9,479
Balances due by other Banks . .	17,920
	£719,868

These give a ratio per cent. to the bank's total liabilities of 11·84 — a rather small proportion.

But here we have a policy of patching and underpinning; and as the Preferred creditors would get the first look in should the bank's trading prove unfortunate, we naturally want to know how they stand in relation to the above assets.

On the 31st December 1900 the bank possessed £48, 7s. of cash assets to meet each £100 of its indebtedness to its Preferred depositors; and though this may strike some of my readers as an excellent state of preparedness, I myself am bound to confess that I do not like the system; and many will doubtless give thanks that our own banks are not patched in such fashion.

Moreover, it is surely better to deposit with a company that can show a strong proportion of liquid assets without distinctions of this description.

£135,769 is described as "Bills Receivable in London and Remittances in transit"; but why this asset should be called liquid I am quite at a loss to explain. Indeed, it would be extremely interesting to hear the bank's reason for not classing this sum with advances. Bills, certainly, are not liquid if they have, say, more than seven days to run; and remittances in transit, unless they be cash documents payable at sight, can hardly be so classed. However, the ratio will be found in our second column.

Investments are—

British Consols £213,216

These show a ratio per cent. to total liabilities of 3·50; and while the quality is unsurpassable, one could wish that there were more of them.

The proportion of total liquid assets is 17·57. The bank, then, held £17·57 of cash, Bills in London, etc., and Consols to meet each £100 of its total indebtedness to the public; and I cannot help thinking that the ratio is too small.

On the other hand, the ratio per cent. of total liquid assets to the new business, to wit, £1,475,301 works out at 72·4. Of course, this proportion is excellent; but, I suppose that the Fixed Deposits will have to be gradually reduced, and that they will prove a drain upon the resources of the bank for many years to come. Then surely it is better to deposit with a bank that holds, say, £40 in liquid assets to every £100 it owes. You will find plenty of such banks among the African companies, and a few among the Australian.

Advances are entered in the balance-sheet as—

Bills discounted, Advances and all other Debts due to the Bank, and other Assets at old Valuations .	£6,760,719

The ratio per cent. to total liabilities to the public comes to 111·25, and seems to indicate that the bank has too much of its working resources locked up in advances and properties. Indeed, it does not appear to have yet recovered from the shock of the crisis; and it looks as though it has uphill work before it for many years to come.

£399,821 is invested in Premises, and £56,895 represents Contingent Liabilities.

The Reserve Fund is noticeably small; but the bank has £129,436 standing to the credit of "Profit and Loss Special Account, Proceeds derived from the Discharge of B Deposits in terms of Clause 10."

Our banks, as a rule, do not print extracts from their chairmen's speeches; and we ought to feel truly thankful, for they are always dry, and, as a rule, distinctly stupid; but this is quite by the way, and in the strictest confidence, as it is not thought proper to speak the truth about the authorities that be. The discreet only think these things; and I myself am speaking in the softest of whispers. The Australian banks, however, appear to have a weakness for printed speeches; and the Australian Joint-Stock

Bank is not an exception to the rule, for we read :—

"Gentlemen, I have pleasure in stating that the business of the new bank continues to be satisfactory and remunerative."

I never could understand the meaning of the word "satisfactory"; so perhaps it explains the situation precisely; but remunerative — to whom? to the shareholders? Surely not! At least, they do not appear to have had any dividend; and I cannot see that they are likely to for many half-years to come. The speaker's idea of "remuneration" can hardly be the one generally accepted in commercial circles. The nett profit for the half-year amounted to £90,958, and was distributed thus—

Interest on Deposit Stock, A and B Series, Fixed Deposits, and New Deposits	£88,411
Balance	2,547
	£90,958

This balance was added to £12,064, carried forward from last half-year, leaving £14,611 at the credit of Profit and Loss Account.

Further, it would be interesting to hear

the exact sum the bank has invested in station properties, so that we could form some opinion as to the amount of its advances against bills and on current account. The balance-sheet does not state these items separately ; yet it seems important that an intending depositor should know how much money the company has locked up in such properties, as a prudent banker endeavours to hold as little land as possible. Further, a bank which is farming huge estates is better avoided. It seems a pity, therefore, that the Australian Joint-Stock Bank has not supplied this information in its balance-sheet.

THE BANK OF ADELAIDE.

LONDON OFFICE: 11 LEADENHALL STREET, E.C.

DATE.—MARCH 25, 1901.

Ratio p.c. of Specie, Bullion, Bankers' Balances, etc., to Liabilities to the Public.	Ratio p.c. of Money at Short Call to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Funds to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.	Reserve Liability of Proprietors.
17·92	17·05	17·77	52·74	17·77	7·55	25·32	72·16	£600,000

100,000 Shares of £5 each, and £4 paid.
Paid-up Capital, £400,000. Reserve Fund, £170,000.

The Bank of Adelaide, which was incorporated by Act of Parliament in 1865, possesses some thirty-three branches and agencies; and a glance at the above ratios shows us clearly enough that its policy is inspired by the best traditions; that, in short, it is as prudently managed as the very best of our own banking institutions. The following table, perhaps, will illustrate this assertion :—

	Ratio % of Cash to Liabilities.	Ratio % of Call Money to Liabilities.	Ratio % of Investments to Liabilities.	Total Liquid Assets.
London and Westminster	15·62	22·26	15·24	53·12
London and County .	18·54	6·49	23·11	48·14
Bank of Adelaide .	17·92	17·05	17·77	52·74

The position of the English banks are worked out from the balance-sheets for December 1900.

It is at once apparent, from the above list, that the Australian bank is in an excellent state of preparedness to meet a large

proportion of its indebtedness to the public at a moment's notice; and when we remember that a certain porportion of its deposits are "fixed," thereby precluding any sudden call from the holders of its receipts, we are forced to the conclusion that the bank's position is an exceptionally secure one.

Liabilities to the public are entered in the balance-sheet as—

Notes in Circulation . . .	£130,594
Bills in Circulation . . .	190,448
Deposits	1,913,387
Balance due to other Banks .	4,273
Interest accrued on Fixed Deposits and Rebate	12,233
	£2,250,935

Cash assets are:—

Specie, Bullion and Cash Balances	£345,518
Notes of other Banks . . .	2,452
Balances due from other Banks .	55,576
	£403,546

These show a ratio per cent. to the above liabilities of 17·92—a very good proportion.

Money at short call is given as £384,000, and works out at 17·05 per cent.

Investments are:—

Government Debentures . .	£400,021

Here we find a ratio per cent. to liabilities of 17·77. By Government debentures, I take it, the bank is referring to the Government of South Australia, and not to the British Government.

The bank, then, possesses £52·74 of liquid assets to meet each £100 of its indebtedness to the public—a splendid position, which, so far as I can see, is not equalled by any other Australian bank in London, and by very few in this country.

Advances are given as—

Bills receivable and all other Advances	£1,489,453
Remittances *in transitu* . .	134,967
	£1,624,420

The ratio per cent. to liabilities is 72·16, a proportion its large working capital enables it to support quite easily, for the directors have been much too prudent to sap the strength of the bank by paying away preposterous dividends, and have taken the precaution to accumulate a good reserve fund, to which £15,000 was added from the profits for the year, raising the total to £185,000. After all, this is only another

way of insuring distributions and increasing the credit of the company, which is thereby enabled to maintain a stronger reserve of liquid assets against its liabilities, and, consequently, to improve the position of its customers and lessen the risks of its shareholders.

The history of this bank is one of great progress. In 1890 deposits only amounted to £850,000, and now they are nearly two millions, so it would seem that a cautious policy has paid the members extremely well in the end. This accretion, too, has been accomplished during a period of great anxiety, and is therefore the more creditable, while the crisis of 1893 only added to the bank's reputation, for it more than held its own when its rivals were going down like ninepins. Now that the clouds have lifted, the future of the Bank of Adelaide looks very bright. Larger banks in Australia there, of course, are, but I have not yet analysed the balance-sheet of a stronger or of a better managed one.

The distribution for the half-year ended March last was at the rate of 8 per cent. per annum.

Again, the balance-sheet is most lucidly compiled, because, I suppose, being strong, it has nothing to hide; and the moral is (banking morals seem a little quaint) deal with it.

BANK OF AUSTRALASIA.

LONDON OFFICE: 4 THREADNEEDLE STREET, E.C.

DATE.—OCTOBER 15, 1900.

Ratio p.c. of Specie, Bullion and Cash Balances to Liabilities to the Public.	Ratio p.c. of Loans at Call and Short Notice to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
18·66	7·13	8.23	34·02	9·49	5·48	14·97	79·07

40,000 Shares of £40 each. Liability of £40 per share in case of liquidation. Paid-up Capital, £1,600,000. Reserve Fund, £925,000.

	1891	1892	1893	1894	1895	1896	1897	1898	1899	1900
Highest .	105½	97½	90¼	75½	61	57¾	56⅝	57	68	78
Lowest .	90	84	51	54	50⅛	48	44	48½	51½	60¼
Div. % April	14	12½	10	7½	6	5	5	5	6	8
Do. October	14	12½	7½	6	5	5	5	6	7	9

Average Dividend, 1893 to 1900—$6\frac{7}{16}$%.

The Bank of Australasia, with its some 150 branches, leads a stirring life; and though it came through the 1893 crisis

successfully, we can see from our table of dividends that it felt the shock pretty severely. Distributions fell from 12½ in 1892 to 8¾ in 1893, and they continued to fall until 1896, when a favourable reaction set in. From 1898 to the present date dividends have steadily increased.

Such troublous times were pretty certain to have a deleterious effect upon the profits of a large banking institution, whose tentacles extended through many states, and which was consequently in a particularly exposed position. Banking is little understood by the public both in Australia and in this country; therefore, when a largely-trusted bank finds itself in trouble, the natural tendency is to assume that all are rotten, and the result is a run upon the strong as well as upon the weak.

The Bank of Australasia, though it met this drain, was made to suffer for the sins of others; but we can plainly see, by an examination of the ratios in our first table, that this is not one of the patched institutions, and it therefore follows that increased dividends are only a question of patience and time.

Liabilities to the public are put down in the balance-sheet as—

Circulation	£482,985
Deposits	13,650,831
Bills payable, and other Liabilities .	2,718,365
	£16,852,181

Cash assets are—

Specie, Bullion and Cash Balances .	£3,144,841

Here we find a ratio per cent. to the above liabilities of 18·66, an extremely good proportion, which clearly shows that the management is fully alive to the risks of credit banking, and recognises the paramount importance of keeping the bank's position strong in actual cash, which, in the event of an accident, can alone stave off misfortune.

Loans at call and short notice came to £1,202,500, and give a ratio per cent. to liabilities of 7·13.

Investments are—

British Government Securities . .	£977,196
India and Colonial Government Securities	409,824
	£1,387,020

The bank possesses nearly a million of

British Government securities, and the list is an extremely strong one, the proportion to liabilities working out at 8·23. Such a list, doubtless, attracts depositors and shareholders in this country, who, seeing that the bank has invested a certain proportion of its deposits and capital in Consols, are more disposed to do business with it.

Consols, upon the credit side of a balance-sheet, are certainly an excellent advertisement of stability, though here, again, one must keep an eye on the quantity; but I cannot help thinking that those banks which neglect to state their exact holding in British Government securities must be weak in that much-desired variety. £500,000 of the Reserve Fund, we are told, is invested in 2¾ Consols at 95.

We next come to the ratio per cent. of total liquid assets to liabilities, and find that it is 34·02. The bank, then, possesses £34·02 in cash, call money and first-class securities to meet each £100 it owes to the public; and taking into consideration the nature of these liquid assets and the fact that a certain proportion of its deposits are "fixed," the bank's position

seems sound, and I do not think that either depositors or customers need hesitate for an instant to entrust it with their money.

Advances are thus described—

Bills receivable, Advances on Securities and other Assets . . . £13,325,667

Here we find a ratio per cent. to liabilities of 79·07.

Finally, we arrive at the value of the bank's shares, and this question is a little puzzling, for it would be absurd to take $6\frac{7}{16}$ as our basis, as distributions are not likely to drop to 5 per cent. again.

For instance, during the half-year in question, the nett profit amounted to £151,466. From this £50,000 was added to reserve fund, and £20,000 credited to bank premises, while £80,000 was divided among the shareholders, making a distribution of 10 per cent. per annum for the half-year.

This emphasises the bank's prudent policy, for instead of paying away a dividend of 15 or 16 per cent., as it might have done, it wisely strengthened its position, and it also shows us that present distributions should not fall away very considerably even if they are not increased in the future.

Capitalised on a basis of 9 per cent., the

following sum will tell us what price should be paid for a £40 share in order to return a dividend of 5 per cent. on the purchase money—

$$\frac{40 \times 9}{5} = 72$$

The present quotation is about 80, and the shares seem worth holding at those figures, while the lucky buyers at 44 in 1897 are to be congratulated and envied, for the chance is not likely to occur again. Should the shares, during the depressed portion of a cycle, recede to, say, 60, or below, they are well worth attention as a speculation. It would be astonishing, were certain Australian banks selected, to see how much has been made on their shares since 1895.

BANK OF NEW SOUTH WALES.

LONDON OFFICE: 64 OLD BROAD STREET, E.C.

DATE.—MARCH 31, 1901.

Ratio p.c. of Coin, Bullion and Cash Balances to Liabilities to the Public.	Ratio p.c. of Money at Short Call in London to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
24·41	2·35	5·00	31·76	7·86	4·91	12·77	78·95

100,000 Shares of £20 each. Reserve Liability, £20 per share.
Paid-up Capital, £2,000,000. Reserve Fund, £1,250,000.

	1891	1892	1893	1894	1895	1896	1897	1898	1899	1900
Highest . .	$76\frac{1}{4}$	$69\frac{1}{2}$	67	$47\frac{1}{2}$	$41\frac{1}{4}$	41	40	$41\frac{3}{8}$	46	$44\frac{3}{4}$
Lowest . .	63	$62\frac{1}{2}$	32	$33\frac{1}{2}$	33	$32\frac{1}{2}$	35	36	37	$38\frac{1}{2}$
Div. % June .	$17\frac{1}{2}$	$17\frac{1}{2}$	15	10	9	9	9	9	9	9
Do. Nov. .	$17\frac{1}{2}$	$17\frac{1}{2}$	$12\frac{1}{2}$	9	9	9	9	9	9	10

Average Distribution, 1894 to 1900—$9\frac{1}{7}$%

The Bank of New South Wales, which was established in 1817, possesses some 200 branches throughout Australia and New Zealand, and is one of the largest banking institutions in Australasia, whilst it is a matter of common knowledge that the crisis of 1893 was faced successfully, though, as we can see from the table of distributions given above, the bank's dividend-earning capacity suffered somewhat severely. Of course, the increase of capital in 1893 was bound to reduce distributions considerably.

Liabilities to the public are given as—

Notes in Circulation	£982,856
Deposits and accrued Interest . .	21,590,076
Bills payable and other Liabilities .	2,853,496
	£25,426,428

Cash assets are—

Coin, Bullion, and Cash Balances .	£5,891,673
Queensland Government Notes .	167,251
Notes of other Banks	18,184
Due by other Banks	131,916
	£6,209,024

This total works out at a ratio per cent. to the above liabilities of 24·41—an excellent proportion. A bank which holds £24·41 in cash assets to each £100 it owes is obviously well prepared to meet those accidents which always threaten a credit institution.

Money at short call in London is put down in the balance-sheet as £600,000, which gives a ratio per cent. of 2·35 to public liabilities.

Investments are—

British and Colonial Government Securities	£1,142,793
Municipal and other Securities .	130,174
	£1,272,967

Here we find a ratio per cent. of 5, and we are further told that £600,000 of the Reserve Fund is invested in British Government securities. The second line, perhaps, would be improved by a more detailed description of the securities in question.

Coming to total liquid assets, we find that the bank, on 31st March last, held £31·76 in cash and good securities to meet each £100 of its liabilities to the public, and we want to know if this be an adequate provision,

for it is quite evident that the Bank of New South Wales's total supply of liquid assets is none too abundant.

The proportion of cash is splendid, but that has been remarked before, and the list of securities is a good one in the event of the bank being obliged to either borrow or sell. On the other hand, the company possesses numerous branches, which would prove a great drain in a time of stress, and, altogether, £31·76 of liquid assets to each £100 of the bank's liabilities seems rather too small a ratio. I do not say that it is dangerously small, but I do say that there are African banks which afford the English depositor much better security.

Advances are thus described—

Loans and Advances to Customers	£15,570,963
Bills receivable, discounted, and Remittances *in transitu* . .	4,503,463
	£20,074,426

The ratio per cent. to liabilities is 78·95 —a proportion which seems to confirm the above conclusions.

The chairman made some interesting remarks with reference to the gold production

of Australasia. The output, he said, for 1900 represented £16,251,046 in value, as compared with £17,371,422 in 1899; but he points out that in 1899 there was quite a phenomenal increase of £4,650,000 over 1898, and that, therefore, the recession of the tide somewhat in 1900 was not surprising. From which it would appear that the rising prices of 1899 stimulated even the production of gold, which, of course, then had a reduced purchasing power, though it brought in a better return in the shape of interest when employed in the Money Market.

Capitalised on a basis of 9½ per cent., the following sum will show us what price should be paid for the bank's shares in order to return 5 per cent. upon one's purchase money :—

$$\frac{20 \times 9\frac{1}{2}}{5} = 38.$$

The last two distributions were at the rate of 10 per cent. per annum; and seeing that the ratio per cent. of Paid-up Capital to liabilities is as low as 7·86, 10 per cent. certainly does not seem too large a distri-

bution. The fact, however, remains, that advances seem somewhat full; and 38 appears quite as much as the shares are worth.

BANK OF NEW ZEALAND.

London Office: 1 Queen Victoria Street, E.C.

DATE.—MARCH 31, 1901.

Ratio p.c. of Coin, Bullion and Cash Balances to Liabilities to the Public.	Ratio p.c. of Money at Call and Notice, Bills, Government and other Securities in London to Liabilities.	Ratio p.c. of Colonial Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Guaranteed Stock to Liabilities to the Public.	Ratio p.c. of Ordinary Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
14·11	22·90	22·76	59·77	18·15	3·83	·21	22·19	56·21

Capital—

4 per cent. Guaranteed Stock . .	£2,000,000
Ordinary, called up 1895, £500,000 and paid to date	421,860
	£2,421,860

Nominal Reserve Liability on Shares £603,520
Reserve Fund £23,474

The Bank of New Zealand was established in 1861, and possesses some 122

branches, whilst it is evident, from a glance at the Capital Account, that it came very badly through the crisis, and that the shareholders have but little cause to thank those responsible for its management, unless it be for calls; but Christian forbearance surely cannot have reached that giddy height even in socialistic New Zealand. The human beast, whether Christian or heathen, is the human beast all the world over; and it pains him to part with his gold whatever his nationality, whether he worship one god or five hundred.

The directors of this bank made stupid mistakes; and the unfortunate shareholders, who trusted them blindly, had to pay the piper. It possibly did not occur to them to inquire what experience their directors had had to qualify them as bankers. Not much, I should imagine! Too large a proportion of the bank's working resources was advanced against land; consequently, when the company's depositors became nervous and demanded the return of their money, the bank could not pay it. The management walked into this simple trap with their eyes wide open; but the most wonderful part

of the business was that they could persuade a body of shareholders to follow them.

Of course, the great majority of the directors of the Australian banks were quite incompetent to govern a credit bank; and it is simply wonderful that depositors and members, both in Australia and in this country, followed these blind guides like flocks of hungry geese. All were blinded by greed; and all went into the ditch. Shareholders and directors alike paid for their rapacity. To earn huge dividends, you must take huge risks; and it is a little stupid to cry out when the inevitable occurs. What else could any trained banker have expected? Any fool might have known that a director cannot discharge a bank's debts in land. Gold is required for that purpose.

Since the issue of the March 1900 balance-sheet, the Bank of New Zealand's position has improved very appreciably. The shares issued to the Crown have been re-purchased; many little items have been cancelled and reduced on the credit side of the balance-sheet; and, at last, the shareholders seem at least in sight of a dividend.

Liabilities to the public are given as—

Notes in Circulation	£770,729
Bills payable in Circulation .	1,170,030
Deposits	8,682,504
Other Liabilities	115,910
Bills re-discounted in London .	274,956
	£11,014,129

Cash assets are—

Coin and Cash Balances with Bankers	£1,456,119
Bullion on hand and in transit .	98,010
	£1,554,129

These show a ratio per cent. to the above liabilities of 14·11; and a bank which possesses £14·11 in cash assets to each £100 it owes has a fairly good supply of its most important assets. It must not, however, escape attention that the bank re-discounted some of its bills in London.

The next entry in the balance-sheet is a somewhat remarkable one. £2,523,089 is described as "Money at Call and Short Notice, Bills receivable, Government Securities, and other Securities in London," and the ratio, 22·90, will be found in the second division of our form. A more slovenly statement I have seldom come across—even in

the balance-sheets of some of the English companies.

Do the directors of the Bank of New Zealand mean to tell us that these assets are homogeneous, that call money, bills and securities would be equally useful during a run or a panic. They must know that each, from a banking point of view, has a distinct value. Then why is not the money value of each variety given separately?

This balance-sheet, I take it, is a serious document, which is intended to show its members and customers the bank's exact position. But it does not do so.

1. Bills are short advances. Why, then, are they included among liquid assets? Would they be liquid during a crisis? Were they liquid in 1893?

2. What is the amount of the bank's Government securities? What is the amount of its other securities, and what *do* they mean by "other" in a balance-sheet?

3. How much of this huge sum is at call?

It is simply absurd to describe over 2½ millions of money in so loose a fashion; and further, until we know the answers to the various questions put above, the balance-

sheet, for all practical purposes, is as useless as waste paper to the public. We want to know the value of the said assets to the bank were it compelled to realise them, not the mere total at which the lot of them stand in the books of the company.

Investments in the Colonies are thus described—

Colonial Government Securities .	£828,131
Assets Realisation Board Debentures	1,625,000
Municipal Securities . . .	23,053
Other Securities	31,400
	£2,507,584

What are "Assets Realisation Board Debentures"? The bank includes this total with its investments. Did it desire to realise, could it find a market for this £1,625,000? I do not know what is the character of these debentures; but it has occurred to me that, perhaps, they may be related in some manner with the 1893 crisis, and that this sum represents the securities with which the bank was then saddled. If this be the case, and I am very far from asserting that it is, though the debentures may be worth all the sum at which they are

entered in the balance-sheet, they would not be quite so liquid as, shall I say, Consols! Further, ought not this item to be considered so much money locked up in properties? Why, then, is it sandwiched between liquid assets, and carried out in the same total with them?

Most decidedly these debentures are not liquid assets. In fact, they are an undesirable holding for a credit bank. £1,625,000 gives a ratio per cent. to liabilities of 14·75; and if we deduct this from 59·77, the bank's total liquid assets given in our form, we get 45·02.

The bank, then, in March last held £45·02 in liquid assets to each £100 it owed to to the public—a very good proportion. But we must remember that bills in London are included in this ratio, and that we are not told the amounts of the various holdings constituting division number two, which may, or may not, be a strong item.

Advances are—

Bills discounted	£2,080,832
Other Advances and Securities and Debts due to the Bank .	4,111,188
	£6,192,020

These give a ratio per cent. to liabilities of 56·21. But ought not 14·75 to be added to these figures?

The bank's other assets are—

Landed Property, Premises, etc., £388,762; Bank of New Zealand Estates' Company, Assets in Liquidation (book value), £298,479; Colonial Bank Property and Premises, £45,398.

Lastly, we come to the value of the bank's shares. A few months ago the £6, 13s. 4d. Ordinary, £3, 6s. 8d. paid, could be bought for about 38s.; and a speculator might ask himself the question whether it were worth his while to lock up a few hundred pounds in them. As an investment they are, of course, out of the question.

New Zealand has been experiencing a series of prosperous years; and the bank has shared in that prosperity. We can see, from the balance-sheet, that it has large sums invested in estates, which have been productive, enabling the directors to write down certain undesirable assets, to sell properties at better prices, and to strengthen the bank. This has undoubtedly been accomplished.

Of course, the company does a legitimate

banking business; but it seems to me that whether or not it pays a dividend depends entirely upon its success in administering its estates. Should the present prosperity continue for a few years longer, the bank would be out of the wood, and its shares, purchased at under £2, might prove the best speculation a man ever made in his life.

On the other hand, should the trade of New Zealand be about to experience one of those periodic depressions, which often follow years of exceptional prosperity, the bank is certain to receive a severe check. Its estates would be less productive; and should the depression prove extremely severe and lasting, a call would be much more probable than a dividend.

At the moment its prospects look bright; but it is as well not to lose sight of the darker side of the situation. There may be a gold mine for you here—or quite the reverse. As a gamble, had I a few hundred pounds to spare, I would not mind risking them—but only as a gamble.

BANK OF VICTORIA, LIMITED.

LONDON OFFICE: 28 CLEMENT'S LANE, E.C.

DATE.—DECEMBER 31, 1900.

Ratio p.c. of Coin, Bullion and Cash Balances to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Pref. Shares to Liabilities to the Public.	Ratio p.c. of Ordinary Shares to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
17·28	3·97	21·25	7·64	19·47	1·83	28·94.	101·23

Capital—

41,676 Preferred Shares, £10 paid .		£416,760
240,000 Ordinary Shares, £2, 10s. paid . .	£600,000	
Calls paid in Cash . .	540,833	
	£1,140,833	
Less 27,750 Shares forfeited	79,583	
		1,061,250
(Reserve Fund, £100,000) . .		£1,478,010

The head-office of the Bank of Victoria is in Melbourne; and a glance at its Capital Account clearly shows us that the crisis dealt it a staggering blow, that, in other words, the management prior to 1893 did not understand their business, while the

27,750 forfeited shares are eloquent of the misery inflicted upon the shareholders. When will the holders of such risky securities as bank shares recognise that they have other duties than the mere pocketing of dividends.

Liabilities to the public are given in the balance-sheet as—

Notes in Circulation	£132,675
Bills in Circulation	546,077
Government Deposits, not bearing Interest	25,271
" bearing Interest .	507,934

Other deposits, with accrued interest—

Not bearing Interest	1,603,881
Bearing Interest	2,513,924
Balance due to other Banks . . .	120,758
	£5,450,520

Cash assets are—

Coin, Bullion and Cash with Bankers, .	£828,132
Notes and Bills of other Banks . .	59,207
Balances due from other Banks . .	54,548
	£941,887

These give a ratio per cent. to the above liabilities of 17·28—a good proportion, which shows us that, so far as cash to

deposits is concerned, the bank is well prepared; but this seems the only strong point in its construction.

Investments are thus described—

Government, Municipal and other Public Stocks and Funds, and other Debentures	£216,840

The ratio per cent. to liabilities is 3.97, which is an extremely small proportion; therefore we should expect to find the securities the best in the market; but are they? Oh, yes; this is a balance-sheet; but we are not informed for all that; and though the statement is signed by well-known men, both customers and members should still insist upon knowing the precise nature of the bank's investments; because, should there be another crisis, its fate might depend upon its ability to realise them speedily.

What is the extent of the bank's holding in Government Funds? What on earth are "other Public Stocks?" It is a little peculiar that, with the balance-sheet before us, the question should be necessary. The statement is both unbusinesslike and vague. In fact, it is meaningless; and if my readers

can understand it better than I, I can only apologise for my obtuseness—and congratulate them.

Total liquid assets came to 21·25; so the bank, on 31st December 1900, had £21·25 of cash assets and securities to meet each £100 it owed to the public; and such a ratio seems too small as an insurance fund against those risks to which credit banking is exposed.

Among liquid assets in the balance-sheet, a sum of £567,064, described as "Bills and Remittances in transit," is included. The question arises: What proportion consists of cash documents payable on demand?

As the bank does not say, I have added these figures to advances. The ratio per cent. to liabilities is over 10, and would raise the company's total liquid assets to over 31; but surely undue bills in transit are not "liquid"? For instance, the Bank of Adelaide includes its remittances in transit with advances; yet it can show the splendid ratio of 52·74 of liquid assets to deposits. There is a wide difference between this and the Bank of Victoria's 21·25.

Advances are—

Bills discounted and other Advances (exclusive of provision for bad and doubtful Debts)	£4,950,573
Bills and Remittances *in transitu*	567,064
	£5,517,637

Here we find a ratio per cent. to liabilities of 101·23, which seems to indicate that the bank is trading with too large a proportion of its deposits. I have spared neither time nor pains to analyse this balance-sheet carefully and fairly; and it seems to me that there are stronger banks with which to deposit.

Real estate, consisting of bank premises, is put down as £242,795; other real estate, £163,231; shares in other companies, £4050; stamps, £1872; contingent liabilities, £209,002.

The £10 Ordinary Shares, £5 paid, are changing hands in this country at from 65s. to 70s., and while they doubtless possess a certain attraction from a speculator's point of view, the investor would hardly regard them with favour.

5 per cent. per annum was paid on the Preference Shares, and 3 per cent. per annum

on the Ordinary Shares, while £20,000 was added to the Reserve Fund, and £13,445 carried forward to the next half-year. It is quite possible that the bank's dividends may prove progressive, but there is no denying that its liquid assets appear too small for a banking institution.

COMMERCIAL BANKING COMPANY OF SYDNEY, LIMITED.

LONDON OFFICE: 18 BIRCHIN LANE, E.C.

DATE.—DECEMBER 31, 1900.

Ratio p.c. of Coin, Bullion and Cash Balances to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
18·55	14·13	32·68	7·79	7·87	15·66	73·09

Paid-up Capital	£1,000,000
Reserve Fund	1,010,000
Reserve Liability . . .	1,000,000

The Commercial Banking Company of Sydney, which possesses some 138 branches, was established in 1834, and its Capital Account plainly tells us that the bank is

not one of those patched institutions, which are still handicapped by the panic of '93.

Liabilities to the public are entered in the balance-sheet as—

Notes in Circulation . . .	£514,013
Bills in Circulation . . .	1,094,346
Deposits and other Liabilities .	11,218,243
	£12,826,602

Cash assets are—

Coin and Bullion in hand . .	£2,073,461
Cash with Bankers . . .	236,431
Queensland Government Notes .	42,425
Notes and Bills of other Banks .	27,415
	£2,379,732

This total shows a ratio per cent. to the above liabilities of 18·55, and a bank, with a certain proportion of its deposits fixed for a term of years, which holds £18·55 in cash to each £100 it owes to the public, is obviously well prepared to meet any sudden demand upon its resources.

Investments are—

Government Securities . .	£1,312,775
New South Wales Government .	500,000
	£1,812,775

By Government securities, as those of the

New South Wales Government are duly classified, the first entry assumably consists of securities of the British Government. The ratio per cent. to liabilities of the above figures works out at 14·13.

The bank, then, possesses £32·68 of cash and gilt-edged securities to meet each £100 it owes to the public; and if this ratio seems a little small, the composition is so good that there need be little fear in trusting the company.

Advances are put down as—

Bills discounted and all Debts due to the Bank	£9,375,552

The ratio per cent. to liabilities is 73·09. Remittances in transit are given as £921,516, and show a ratio per cent. to liabilities of 7·18. Some of this total would consist of cash documents, payable at sight, which would increase the proportion of liquid assets to liabilities of the bank. £425,400 is invested in premises.

A further glance at the Capital Account of the bank may possibly prove instructive, and it is satisfactory to observe that the Reserve

Fund is in excess of the Paid-up Capital. The latter shows a ratio per cent. to public liabilities of 7·79, a proportion which clearly indicates that the Company's dividend-paying capacity is considerable, and that, under normal conditions, large dividends may be expected.

Moreover, the bank is not hampered with Preference Shares and other delightful incongruities, which, in many instances, were absolutely essential to the existence of some of the Australian banks discussed in these pages, and which, of course, make their Ordinary Shares a less desirable holding.

During 1893 this institution, on a question of policy, closed in order to protect its fixed deposits, its directors not seeing why great sacrifices should be made for the sole benefit of one class of customer, and the wisdom of their decision seems reflected in the position occupied by the bank to-day. In 1848 this Company had only £148,470 of deposits, and now it possesses over eleven millions of them—a truly wonderful record of enterprise and skill.

The dividend for the half-year was at the rate of 10 per cent. per annum.

COMMERCIAL BANK OF AUSTRALIA, LIMITED.

London Office: 1 Bishopsgate Street Within, E.C.

DATE.—DECEMBER 31, 1900.

Ratio p.c. of Coin, Bullion and Cash Balances to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Pref. Shares to Liabilities to the Public.	Ratio p.c. of Ordinary Shares to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
26·78	2·90	29·68	51·15	26·56	77·71	117·14

Capital—

211,723 Preference Shares, £10 paid	£2,117,230
256,937 Ordinary Shares, paid up from 5s. to £6	1,099,655
	£3,216,885

(Amount of Arrears of Calls due, £304,211.)

The Commercial Bank of Australia, which has its head-office in Melbourne, possesses some ninety odd branches and agencies; and its more recent history can be read from its Capital Account, which tells us only too plainly that the shareholders have had to face a trying situation that has cost them dearly.

Here, again, we find an illustration of the

folly of a credit bank, which is trading with huge sums payable at call and at notice, using too large a proportion of its deposits; for had the Board adopted a more cautious policy, though dividends would have been smaller, the crisis of 1893 might have been successfully met; and I should imagine that the members wish that they had paid as much attention to the management as they did to the dividend announcements.

Liabilities to the public are entered in the balance-sheet as—

Notes in Circulation		£166,983
Bills in Circulation		157,434
Government Deposits, not bearing Interest	£41,692	
Bearing Interest	495,131	
Other Deposits, with Interest: Not bearing Interest	1,749,068	
Bearing Interest: New Fixed Deposits	561,544	
Extended Deposits, 'A' series	962,818	
		3,810,253
Balances due to other Banks		4,109
		£4,138,779

Cash assets are—

Coin, Bullion and Cash with Bankers	£1,067,566
Notes and Bills of other Banks	21,963
Balances due from other Banks	18,869
	£1,108,398

This total shows a ratio per cent. to the above liabilities of 26·78—an excellent proportion.

Investments are entered thus—

Government, Municipal and other Public Stocks and Funds, and other Debentures . . .	£120,116

The ratio per cent. to liabilities is 2·90; but the value of this asset to a credit institution, were it compelled to either borrow or realise, is left to our imagination. We are not even told whether the bank possesses £500 or £50,000 of Government securities; so how is it possible to gauge the value of this sum to a bank in case of need.

Total liquid assets came to 29·68. So the bank, at December 1900, held £29·68 in cash and securities to meet each £100 of its public indebtedness.

Advances are—

Bills discounted and other Advances (exclusive of provision for bad and doubtful Debts)	£4,552,525
Bills and Remittances *in transitu* .	295,943
	£4,848,468

Here we find a ratio per cent. to liabilities

of 117·14—a proportion which seems to indicate that the bank is trading a little too near the margin of safety.

£565,935 is invested in premises and real estate; £2486 in stamps, and £736,729 in the Special Assets Trust Company, Limited. With the latter Company there is a contingent liability amounting to £3,385,019 in connection with the guarantee for payment of the deposits therein, with interest accrued, against which the bank holds in trust for the Company all the assets of the Old Bank.

This guarantee of over three millions requires the serious consideration of intending depositors, and seems to introduce an element of risk into an otherwise fairly satisfactory statement.

No dividend was declared on the Ordinary Shares; and seeing that the bank is without a Reserve Fund, and that the Preferred Capital is almost twice as large as the Ordinary, the prospects of the holders of the latter variety cannot be considered bright. The £6 fully-paid Ordinary are changing hands over here at about 18s.; but it seems to me that a dividend depends largely upon whether or not the Assets Trust Company does well;

and such being the case, they can only be regarded as a risky speculation.

ENGLISH, SCOTTISH & AUSTRALIAN BANK, LIMITED.

HEAD-OFFICE: 38 LOMBARD STREET, E.C.

DATE.—JUNE 30, 1900.

Ratio p.c. of Cash and Bullion to Liabilities to the Public.	Ratio p.c. of Money at Call and Notice to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Perpetual Stocks to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
27·26	4·57	1·41	33·24	19·09	97·08	3·20	119·37	171·32

43,155 Shares of £25 each, and £12, 10s. paid.

Paid-up Capital . . .	£539,437, 10s.
Debenture Stock . . .	983,547
Pref. Inscribed Deposit Stock	889,418
Deferred	869,293
Reserve Fund . . .	90,391

The English, Scottish & Australian Bank, whose head-office is in London, possesses some eighty-five branches in Australia; and we have only to glance at its perpetual stocks in order to see that the 1893 crisis found it unprepared to meet its obligations speedily enough to avert inconvenience.

The bank was quite solvent; but its assets were not sufficiently liquid to enable it to meet large withdrawals of deposits; consequently, it was compelled to make certain arrangements which would allow of its discharging its debts at a future date. The Debenture Stock bears interest at the rate of 4 per cent., and the Inscribed Stock at 3; whilst all, of course, rank for dividend before the Ordinary Shares.

With our insular prejudice, we fondly imagine that the English banks are fully prepared to deal with every emergency; and in the majority of instances this faith, though of the blind, unreasoning variety, is fully justified; but I could name some half-dozen English provincial banking companies, which, had they to face a crisis, would be compelled to close their doors to a dead certainty; and their directors, if they understand the business of banking, must tremble at every cloud that momentarily darkens the earth.

Of course, the "yes-and-no" director is supremely indifferent to trifles of this description, and sits on the Board, like a hen on its eggs, in joyful anticipation of the brood in July, when each arrival is received

with a cluck of astonishment and gratification.

Liabilities to the public are put down in the balance-sheet as—

Terminable Deposit-Receipts, due 1902-4	£433,816
Deposits at Interest, including Government Balances	693,849
Current Accounts	1,181,663
Notes in Circulation	33,305
Bills payable and other Liabilities .	481,888
	£2,824,521

Cash is thus described—

Cash and Bullion	£770,190

The ratio per cent. to the above liabilities works out at 27·26, and a bank which holds £27·26 of actual cash in hand to each £100 it owes should be in a position to deal effectively with any run that might be made upon it. This proportion is an excellent one, which clearly indicates that the management does not intend being caught short a second time.

£129,258 is entered as "Cash at Bankers and at Short Notice," and gives a ratio per cent. to liabilities of 4·57.

Investments are—

Colonial Government Securities (security for rate issue)	£39,851

These give a ratio per cent. to public liabilities of 1·41; but as they are hypothecated for a particular purpose, it is evident that they cannot be sold by the Company to meet the demands of its depositors.

However, without these the bank had £31·83 of cash assets to meet every £100 of its indebtedness, and when we remember that some of its deposits do not mature till 1903 and 1904, it is quite apparent that the bank is trading cautiously and doing its best to protect the interests of its customers and shareholders.

Advances are—

Advances and other Assets . . .	£3,855,255
Bills receivable and Remittances *in transitu*	983,837
	£4,839,092

Here we find a ratio per cent. to liabilities of 171·32, which at first sight is somewhat startling; but a glance at the Capital Account speedily furnishes us with an explanation, for

we see that the bank's total Working Capital is larger than its deposits, and it therefore follows that the Company can afford to increase its advances proportionately. However, the above ratio seems quite full enough.

After paying interest on all Stocks and on Terminable Deposits, and adding £15,000 to the Reserve Fund, there remained a balance of £36,915, which was distributed in the following manner :—

Further 1½ per cent. due on Def. Deposit Stock	£13,039
2½ per cent. to Shareholders, free of Income Tax	13,486
Purchase and Cancellation of Def. Inscribed Deposit Stock — one-fourth part of the above—in accordance with the Articles of Association .	3,371
Balance forward	7,019
	£36,915

I need not remark that the bank belongs to the patched variety of Australian banking company, because that is evident enough to every interested reader; but I cannot help drawing attention to the wise regulation that for every £1 paid away to the members 5s. must be wiped off the Deferred Stock, there-

by strengthening the bank's position. How beneficial some such rule would prove in English banking for the automatic building up of strong reserve funds.

Were a bank compelled to place 5s. to Reserve for each £1 it distributed to its members, and to invest the said Reserve in Consols, a most useful check would be administered to the present dividend mania. Fewer banks would find themselves in difficulties, and bank shares would be much safer investments.

A few months ago English and Scottish £25 Ordinary, £12, 10s. paid, Shares were changing hands at 95s.

With a ratio per cent. of Paid-up Capital to liabilities of 19·09 large dividends are out of the question, but the fact remains that the bank is steadily improving its position, and it seems quite probable that in a few years' time the holders of its shares will not regret the confidence they placed in the institution. Its shares certainly look a promising speculation at £5.

THE LONDON BANK OF AUSTRALIA, LIMITED.

HEAD-OFFICE: 2 OLD BROAD STREET, E.C.

DATE.—DECEMBER 31, 1900.

Ratio p.c. of Coin, Bullion and Cash Balances to Liabilities to the Public.	Ratio p.c. of Money at Call and Notice to Liabilities to the Public.	Ratio p.c. of Investments and Bills to Liabilities to the Public.	Total Liquid Assets *plus Bills*.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Pref. Shares to Liabilities to the Public.	Ratio p.c. of Transferable Deposits to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
21·76	6·58	20·74	49·08	20·40	4·71	52·44	77·55	118·69

Capital—

49,103 Ordinary Shares of £30 each		£1,473,090
Less: Uncalled and Reserve Liability . . .	£736,545	
Calls in Arrear . .	800	737,345
		£735,745
Amount prepaid by Trustees . .		8,190
		£743,935
17,193 5½ per cent. Cumulative Preference Shares of £10 each fully paid (Dividend paid to 30th June 1897)		£171,930
Transferable Deposits . . .		£1,911,963

Things are not, somebody has sung, what they seem; and it will be part of my business to demonstrate that the above ratios are not exactly what they seem, whilst I may antici-

pate the cynic by remarking for his edification —they seldom are in finance.

The London Bank of Australia is one of the smaller Colonial banking companies, with some fifty branches or so; and we can see from its Capital Account that the crisis dealt it a staggering blow. Moreover, it still seems to feel the sting.

In this instance, "Transferable Deposits" have been included with "Working Capital." These are, I assume, negotiable instruments, which can be bought and sold like the bank's shares. According to the 1899 balance-sheet, no instalments in respect of these deposits mature until 1st July 1911; but seeing that they bear interest at the rate of 4¼ per cent., it is quite conceivable that the bank may like to pay them off as early as possible, provided it can borrow more cheaply in the open market.

New deposits and current obligations rank before "Transferable Deposits."

Liabilities to the public are given as—

Notes in Circulation	£173,336
Other Deposits and Current Accounts .	2,652,826
Bills payable and other Liabilities (including Reserve for doubtful Debts) .	819,430
	£3,645,592

Cash assets are thus described—

Coin, Bullion, Cash Balances, and Notes of other Banks	£793,226

This gives a ratio per cent. to the above liabilities of 21·76—an excellent proportion. It is but prudent, however, to remember that some of the Australian banks, with certain obligations to discharge, are compelled to keep large reserves of cash, which soon melt away when, for instance, £300,000 of deposits mature. Therefore it is apparent that such banks are better avoided.

£240,000 is described as "Money at Call and Short Notice in London," and gives a ratio per cent. to liabilities of 6·58.

The following entry is truly astonishing—

Investments and Bills receivable . . .	£756,190

Here we find a proportion of 20·74; but what can we learn from a slipshod statement of this description? Bills are much less liquid than good securities, and it is simply absurd to jumble them up in this fashion, as the compilers must quite well know.

The item is a large one, and to enter it in the balance-sheet in such a manner that it is impossible for any person to learn its value

to a credit bank is surely a grave error of judgment. If its investments be gilt-edged securities the bank has certainly neglected an excellent opportunity of advertising its strength.

Total liquid assets, plus bills, come to 49·08, and the figures themselves are quite imposing; but how about their composition? What are the investments? Of 20·74 of this we know very little; but we do know that the bank possesses £28·34 in cash assets to each £100 it owes to the public, and this seems satisfactory enough.

But the absurdity of lumping investments with bills! And then, to crown it all, we are solemnly told that the balance-sheet "is full and fair, and properly drawn up so as to exhibit a true and correct view of the bank's affairs." Were the investments named and the amount carried out separately it doubtless would; but how can one learn the bank's state of preparedness to discharge its obligations at a moment's notice from an "investments and bills" mixture?

Advances are—

Bills discounted, Advances, and other Assets of the Bank	£4,327,293

Here we find a ratio per cent. to liabilities of 118·69. £381,700 is invested in premises.

The nett profit for the year, plus amount brought forward, amounted to £116,324, and was disposed of as under—

Interest—4½ per cent. on Transferable Deposit-Receipts for 1900 . .	£91,335
Eighteen Months' Dividend at 5½ per cent. on Pref. Shares . . .	14,185
Forward	10,804
	£116,324

The £30 Ordinary Shares, £15 paid, have been selling in this country at £3, 10s.

Steady progress has been made by the bank. During 1900 Transferable Deposit-Receipts to the extent of £320,712 were prepaid, and in January of this year (1901) they were further reduced by £317,726; but it cannot be said that there seems much chance of dividends being resumed on the Ordinary Shares yet awhile.

It is noticeable, too, that the bank has not yet accumulated a Reserve Fund; and, altogether, I am disposed to think that some years must elapse before it sails into really smooth waters.

THE NATIONAL BANK OF AUSTRALASIA, LIMITED.

LONDON OFFICE: 123 BISHOPSGATE STREET WITHIN, E.C.

DATE.—MARCH 31, 1901.

Ratio p.c. of Coin, Bullion and Cash Balances to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Pref. Shares to Liabilities to the Public.	Ratio p.c. of Ordinary Shares to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
19·52	9·53	29·05	3·79	14·79	0·68	19·26	79·72

Capital—

30,578 Preference Shares, paid in money to £10 per share	£305,780
238,488 Ordinary Shares, £5 paid up .	1,192,440
	£1,498,220
Reserve Fund	£55,000

The National Bank of Australasia, whose head-office is in Melbourne, has sixty-six branches in Victoria, twenty-nine in South Australia, eleven in Western Australia, and two in New South Wales, making 108 in all; so it farms a pretty wide field.

The 1893 crisis caught it napping, and hit it fairly hard, the creation of Preferred capital being one result, and a call another; but the bank has profited by the lesson; and to-day there seems little cause for uneasiness.

It has certainly put its house in order with some celerity, when we remember that only eight years have elapsed since the crash; and in September 1900 the bank resumed dividends on the Ordinary Shares, paying at the rate of 3 per cent. per annum. Shareholders, doubtless, bless the day; and, if they suffered in the past, those who waited patiently now have their reward.

Liabilities to the public are entered in the balance-sheet as—

Notes in Circulation	£335,687
Bills in Circulation	1,106,123
Government Deposits, not bearing Interest	43,966
Government Deposits, bearing Interest	477,329
Other Deposits, not bearing Interest .	2,733,525
,, ,, bearing Interest .	3,231,470
Interest accrued and Rebate on Bills .	57,997
Balances due to other Banks . .	71,594
	£8,057,691

This is a rather interesting statement,

which sets forth clearly and lucidly the precise nature of the bank's deposits, and enables a person who has a passion for figures to work out some pretty little sums. Personally, my ambition halts at the ratios given in my table.

Cash assets are—

Coin, Bullion and Cash at Bankers .	£1,472,543
Coined Gold *in transitu* . . .	50,000
Notes and Bills of other Banks .	7,007
Balance due from other Banks . .	44,077
	£1,573,627

These show a ratio per cent. to the above liabilities of 19·52; and a bank that holds £19·52 in cash against each £100 it owes is evidently fully alive to the risks of credit banking.

Investments are—

Government, Municipal and other Public Stocks, Debentures and Funds	£768,609

The proportion to liabilities will be found in the second division of our form. But surely this statement might have been compiled in a more intelligible manner. We are not even told the extent of the bank's hold-

ing in Government securities, which, for all one can tell, may be either £100 or £100,000; but if they amounted to the latter sum, surely the bank would have specified them! Modesty is the last attribute one expects to find in a balance-sheet of any limited liability company. Such soulless institutions are not burdened with any of the finer instincts.

It seems a pity that an otherwise well-compiled balance-sheet should be vitiated by an entry of this description. What impression can such a jumble of securities convey to one's mind except that the entry is incomplete and wants explaining very badly indeed?

Total liquid assets come to 29·05. The bank, on the 31st March last, held £29·05 in cash assets and securities to meet each £100 of its indebtedness to the public; and, with the reservation aforesaid, its position seems fairly satisfactory. Moreover, bills and remittances *in transitu* come to £1,119,260, and show a ratio per cent. to liabilities of over 13. Remembering that a certain part of this sum consists of cash documents, it looks as though customers

and depositors can sleep comfortably o' nights.

Advances are—

Bills discounted, and other Advances (exclusive of provision for bad and doubtful Debts)	£5,304,635
Bills and Remittances *in transitu* .	1,119,260
	£6,423,895

The ratio per cent. to liabilities is 79·72. £452,997 is invested in Premises, £429,203 in Real Estate, and Contingent Liabilities are given as £263,925.

The £10 Preference Shares on a broker's list before me are quoted at $10\frac{1}{2}$ to 11. Purchased at 11, they would return the buyer $4\frac{6}{11}$ per cent.

The £8 Ordinary Shares, £5 paid, are quoted at 60s. to 70s. Bought at 70s., they would return about $4\frac{2}{7}$ per cent. The ratio per cent. of paid-up capital to liabilities, 14·79, tells us plainly enough that the bank will not, for many years to come, pay large dividends. The Reserve Fund, too, will require strengthening; but for all that, though out of the question as an investment, National Bank of Australia shares at 70s. look a fairly promising speculation.

NATIONAL BANK OF NEW ZEALAND, LIMITED.

HEAD-OFFICE: 15 MOORGATE STREET, LONDON, E.C.

DATE.—MARCH 31, 1901.

Ratio p.c. of Cash in hand, at Bankers and at Call to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
18·30	1·54	19·84	7·58	2·42	10·00	89·07

100,000 Shares of £7, 10s. each and £2, 10s. paid.
Paid-up Capital, £250,000. Reserve Fund, £80,000.

This bank possesses some forty-one branches in New Zealand; and a glance at our form plainly shows us that its liquid assets are not abundant.

Liabilities to the public are given in the balance-sheet as—

Notes in Circulation	£236,045
Deposits and Current Accounts .	2,553,255
Bills payable and other Liabilities (including provision for bad and doubtful Debts)	504,628
	£3,293,928

Cash assets are thus described—

Coin and Bullion at Head-Office and Branches, Cash at Bankers and Money at Call	£603,021

This sum shows a ratio per cent. to the liabilities above-mentioned of 18·30, a proportion which, were not money at call included therewith, would be an excellent one; but mixed up in this fashion, it is impossible to tell the exact state of preparedness in which the bank is to discharge its debts at a moment's notice.

A balance-sheet, to be of real service, should carefully distinguish call money from legal tender; and this the compilers must know quite as well as I; so, why was not the distinction made? Surely we are not asked to believe that call money, during a time of low credit, is as valuable an asset as actual cash; yet the bank, by bracketing them together, really seems to advance this absurd suggestion.

Investments are—

Home, Indian, Colonial and Foreign Securities	£51,031

Here the ratio per cent. to liabilities is

1·54—an insignificant proportion. Moreover, one would like to know the amount of the bank's holding in each variety, as it is impossible to gauge the precise value of this asset to a credit bank unless further particulars be given. It is noticeable, too, that the Company's investments are less than its Reserve Fund.

We next come to the bank's total liquid assets, and find that, in March last, it possessed £19·84 of cash assets and securities to meet each £100 it owed to the public—a state of preparedness which cannot impress depositors favourably. And until the National Bank of New Zealand increases its ratio per cent. of liquid assets to liabilities to at least 30 per cent., it is not likely to find many supporters in this country.

Advances are—

Bills discounted, Loans, Current Accounts, and Advances on Securities	£2,934,193

The ratio per cent. to liabilities, 89·07, indicates plainly enough that the bank is trading with too large a proportion of its deposits.

£88,975 is invested in Landed Property, Premises and Furniture.

Eight per cent. per annum was distributed for the half-year ended the 30th September 1900, and after debiting Profit and Loss Account with the expenses of management, etc., for the year, £53,293 remained at the disposal of the Board. This was dealt with as under:—

Reserve Fund	£30,000
8 per cent. per annum Dividend .	10,000
2 per cent. Bonus	5,000
Balance forward	8,293
	£53,293

The Board have also contributed £3600 to the Officers' Pension Fund out of the profits.

The twenty-ninth ordinary general meeting was held in London in July last; and I am sorry that I cannot endorse all the remarks of the chairman, who said,—

"The advance that has taken place in the value of our shares is very satisfactory. In the Colony they are now quoted at about £4 and here at about £3, 15s. But really it rests with the shareholders themselves to advance the value of the shares by making the merits of their investment generally

known, and so producing a much larger and steadier demand for the shares than has generally prevailed. The fact is, the bank is not sufficiently known to create a free market in its shares."

Does the chairman mean to tell us that the shares of a bank which only holds £19·84 in liquid assets to every £100 it owes to the public are a safe investment? It seems to me that they are a distinctly speculative one, that no person, unless he can afford to take risks, should hold shares in a Colonial bank that does not keep at least from 35 to 40 per cent. of liquid assets. But the National Bank of New Zealand has only 19·84; and I wonder if it could successfully face another crisis with such a ratio? I think that it would experience some difficulty; and it appears to me that it is paying away too much in dividends instead of strengthening its position. Now, when trade is good, is the time to increase the bank's state of preparedness; and its seems bad policy on the part of a bank, whose liquid assets are under 20 per cent., to pay a dividend of 10 per cent. per annum.

The most sensible speech was made by a

shareholder, who, when alluding to dividends, said,—

"It does not matter to us whether we get 8 per cent. or 10 per cent. very much; but it matters very much whether the bank is sound or not."

Another speaker said,—

"I think the balance-sheet testifies to the soundness of the bank, especially in placing £30,000 to the Reserve Fund.

It is quite interesting to learn that the placing of £30,000 to Reserve testifies to the soundness of the bank! Of course, the first remark goes to the root of the situation. It should be the first endeavour of directors to protect their customers and members; and this can only be done by trading with such a proportion of the deposits as will enable the Board to maintain a sufficient ratio of liquid assets to meet the risks of a credit business. Does the chairman imply that 19·84 is an adequate provision? Surely not!

The bank is not a patched institution; and by reducing its distributions it should be able to increase it liquid assets, thereby affording its shareholders and depositors

greater immunity against the risks of credit banking.

One cannot help noticing the encomiums which chairmen delight in showering upon those highly-respectable persons called secretaries and general managers. The late Lord Beaconsfield, when discoursing on flattery in relation to persons, remarked that with Royalty it was advisable to lay it on with a trowel; but general managers appear to like it poured out straight from the bucket. Customers who are badly in need of accommodation might remember this when they pay one of them a call!

THE QUEENSLAND NATIONAL BANK, LIMITED.

London Office: 8 Princes Street, E.C.

DATE.—JUNE 30, 1901.

Ratio p.c. of Coin, Bullion and Cash Balances to Liabilities to the Public.	Ratio p.c. of Money at Call and Notice to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Ratio p.c. of Deposit Stock to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
25·20	6·97	32·17	10·90	0·47	82·29	93·66	154·43

Capital, Paid-up	£459,507
Less Amount on Forfeited Shares .	46,585
	£412,922

Interminable Inscribed Deposit Stock	£3,116,621
Reserve Fund	£18,000

The Queensland National Bank, which, upon its report, calls attention to the fact that the Company are bankers to the Government of Queensland, has its head-office at Brisbane, and possesses some fifty-two branches in Queensland and one at Sydney, together with a tentacle in this tight little island of ours, sometimes pathetically called the home country. For Australia, like the schoolboy, writes home when it wants money.

A glance at the Capital Account of this bank tells us only too plainly that the shareholders have very little for which to thank those directors and functionaries who guided its course prior to 1893, and makes one wonder how men who considered themselves competent to govern a bank could have discharged their trust so carelessly.

Of course, the Australian companies have

not the choice of securities that our banks have. A large proportion of their advances, I should say, are made against station properties, land and house property. Their directors, whose own money was thus invested, looked upon these securities as the best in the market, and by locking up too large a proportion of the bank's deposits in them proved conclusively that they failed to appreciate the terrible risk they were running. And the public followed them like sheep to the slaughter. With what result is too well known to need recapitulation here. But all this is past history.

The Queensland National Bank was not one of the few that displayed good judgment, for we can see that it is patched pretty considerably, whilst its Reserve Fund only amounts to £18,000, and works out at 0·47 to its public indebtedness—a very small proportion indeed.

Liabilities to the public are given in the balance-sheet as—

Bills in Circulation	£87,754
Treasury Notes Deposit . . .	£322,000

Deferred payments to Government:—

Instalments due—		
July 1, 1917 . .	£181,248	
" 1918 . .	274,998	
" 1919 . .	274,998	
" 1920 . .	274,998	
" 1921 . .	274,998	
	£1,281,240	
Payable 25 per cent. of profits without interest half-yearly, but to be paid in full by July 1, 1921 . .	£409,081	
		1,690,321

Deposits and other liabilities:—

Queensland Government	452,614	
Commonwealth of Australia	105,562	
Private	1,128,789	
		1,686,965
		£3,787,040

Cash assets are—

Coin and Bullion	£651,723
Treasury Notes	177,455
Cash Balances	125,202
	£954,380

These show a ratio per cent. to the above liabilities of 25·20—an excellent proportion.

£264,000 is described as Money in London at Call and on Short Notice, and works out at 6·97 to public liabilities.

The bank, then, on the 30th June last, held £32·17 in cash assets to meet each £100 for which it was liable; and seeing that over 1½ millions was due to the Government, which has agreed to accept payment at certain given dates, the bank's state of preparedness is most satisfactory.

The audit is under Government; and all new business since 1893 is protected under Clause 9 of Scheme of Arrangement. Having told us this much on the balance-sheet, we should expect that the bank would proceed to explain the precise nature of the said protection; but, oh, dear, no, that is left to our imagination. So interested persons must write to the manager.

Advances are thus described:—

Current Accounts, Bills discounted, and other Debts due to the Bank . .	£4,811,102
Debts in suspense pending Realisation of Securities	617,898
Bills remitted and *in transitu* . .	419,580
	£5,848,580

Here we find a ratio per cent. to liabilities of

154·43, which the bank's large Working Capital allows it to support without running excessive risk.

The nett profit for the half-year, after providing for rebate and interest accrued on Deposits and Deposit Stock, came to £28,349, and was apportioned as under:—

Contingency Account	£16,349
Repayment to Government . . .	3,000
Private Depositors' Repayment Fund .	6,000
Reserve Fund	3,000
	£28,349

This balance-sheet is a most difficult one to analyse, because it presents some strong points and also an extremely weak one; therefore it is somewhat puzzling to keep the balance just and fair. The bank owes the Government £1,690,321, and the first large payment is due in 1917. Then each successive year other payments mature; and the whole debt has to be wiped out by July 1921. Now, can the bank do this without another call? It seems to me that it cannot. In fact, I should say that there will probably be a call and a fresh issue of capital before this debt is finally liquidated; but, of course, this is only an opinion.

The members receive no dividend, and, with this debt to be repaid, it cannot be said that their position is an attractive one. Upon a broker's list before me the 3½ per cent. Inscribed Deposit Stock is quoted at 12s. to 13s., and the bank's £5 Ordinary Shares, £3 paid, at 2s. (buyers), so it would seem that these fears are shared by the market. It looks very tempting to pick up a few shares at, say, 2s. 6d.; but the gilt would be off the ginger-bread indeed were a call made, and this is the exact situation.

On the other hand, it would be unfair to say that, because of this, the bank should not be trusted, for our table shows that it is trading prudently; but, all things considered, these patched banks are better avoided, and it seems safer to deposit with a bank that can publish a statement free from deferred payments.

The National Bank of Queensland publishes a most lucid balance-sheet, and it is quite possible that some little facts, which it declares so honestly, are carefully disguised by certain among its rivals.

THE ROYAL BANK OF AUSTRALIA, LIMITED.

DATE.—MARCH 30, 1901.

Ratio p.c. of Coin, Bullion and Cash Balances to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
31·08	5·32	36·40	26·63	1·77	28·40	90·59

Paid-up Capital, £150,000. Reserve Fund, £10,000.
150,000 Shares of £4 each and £1 paid.

This little bank, whose head-office is in Melbourne, is represented in London by the Commercial Bank of Scotland; and we can see by the above ratios that it is trading prudently, whilst it may be worth remarking that the '93 crisis left it untouched.

Public liabilities are put down as—

Notes in Circulation	£6,667
Bills in Circulation	33,391
Deposits (Rebate and Interest accrued):	
Not bearing Interest	150,150
Bearing Interest	372,726
Balance due to other Banks . .	196
	£563,130

Cash assets are—

Coin, Bullion, and Cash at Bankers	£170,900
Notes and Bills of other Banks . .	486
Balances due from other Banks . .	3,668
	£175,054

These give a ratio per cent. to the above liabilities of 31·08; and a bank which possesses £31·08 in cash assets to meet each £100 for which it is liable is a bank that can be trusted.

£30,000 is described as "Government, Municipal, and other Public Stocks, Debentures and Funds." Now, an entry of this character cannot be too lucidly explained; and I think the Royal Bank should have, at least, given its holding in Government securities separately. The ratio to liabilities is 5·32.

This bank, then, on the date in question, held £36·40 in cash and securities to meet each £100 it owed—a position which looks satisfactory to both members and depositors.

Its advances, which are given as £510,193, work out at a ratio of 90·59, which its large Working Capital enables it to support without imposing too great a strain upon its resources.

£19,522 is invested in real estate, and £505 in stamps on hand.

The balance of profit for the half-year came to £12,608, and was apportioned as follows :—

5 per cent. per annum Dividend . .	£3,750
Reserve Fund	5,000
Forward	3,858
	£12,608

The bank's large Paid-up Capital renders big dividends out of the question, and seeing that the Reserve Fund is noticeably small, the directors have acted prudently in adding to it rather than in distributing more among the members, who, in the long run, always profit by a cautious policy, which strengthens a bank's resources; therefore it is to be hoped that the fund in question will be gradually increased until it is at least half as large as the Paid-up Capital of the Company.

ROYAL BANK OF QUEENSLAND, LIMITED.

LONDON OFFICE: 25 ABCHURCH LANE, E.C.

DATE.—JUNE 30, 1901.

Ratio p.c. of Cash in hand, with Bankers, Bullion, and Notes to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
31·48	6·14	37·62	39·52	5·13	44·65	101·72

Shares, £9 each, £5, 10s. paid.
Paid-up Capital, £385,187. Reserve Fund, £50,000.

The Royal Bank of Queensland, whose head-office is in Brisbane, possesses fourteen branches on the other side of the water and one over here, whilst a glance at the above table shows us that its liquid assets are considerable.

Liabilities to the public are stated in the balance-sheet as :—

Bills payable	£8,771
Treasury Notes held in Reserve .	33,500
Deposits and other Liabilities .	932,178
	£974,449

Cash assets are—

Coin on hand and Cash at Bankers	£208,028
Bullion	50,509
Treasury Notes on hand . .	48,262
	£306,799

These show a ratio per cent. to the above liabilities of 31·48—an excellent proportion. It is quite evident that a bank which holds £31·48 in cash assets to each £100 it owes is well prepared to deal with those accidents which threaten every banking institution.

Investments are—

Government Stock	£59,918

This assumably is stock of the Queensland Government. The ratio per cent. to liabilities works out as 6·14.

The bank, then, in June last held £37·62 in cash assets and Government Stock to meet each £100 of its public indebtedness; and there is no occasion for me to point out that its policy is a sound one, as the figures speak for themselves. Doubtless both its depositors and shareholders are thoroughly satisfied with the position this bank occupies; and perhaps it may be interesting to them to compare its

position with the analyses of those Australian institutions which are reviewed in this volume. Certainly, they will have small reason for disappointment.

£991,222 represents bills discounted and all other debts due to the bank, and gives a ratio per cent. to liabilities of 101·72, which the Company's large Working Capital enables it to support comfortably. £62,153 is invested in premises.

Nett profit for the half-year amounted to £8657, which, added to balance forward, £1800, gives £10,457. This was distributed as under :—

Dividend 2½ per cent. per annum and duty	£5,055
Reserve Fund	3,000
Balance forward	2,402
	£10,457

The chairman's speech, which displays a thorough grasp of his subject, is one of great moment to the members, for it deals with a call of £1 per share, and also with a proposal to increase the bank's capital by £300,000. After reading his facts and figures carefully through, I feel strongly disposed to agree

with his deductions, and to think with him that if the suggested issue be thoroughly successful the prosperity of the bank will be considerably enhanced thereby, whilst an excellent basis will be supplied for the building up of a large and sound business.

He draws attention to the fact that the bank's advances to customers are increasing, and that, did they possess more capital, a larger and more profitable business could be done. Hence his objective for the call and fresh issue aforesaid, although the bank, as our own table clearly shows, is well able to take care of itself without them. Still, unless more capital be forthcoming, the progress of the bank will be impeded ; therefore it seems wiser to make a little present sacrifice for the sake of future profits, and for the advancement of the institution. The proposal is :—

"To increase the bank's capital by £300,000, by the issue of 30,000 of the 75,000 shares still unissued, these shares to be issued at £10 each, to be fully paid on application, and to be Preferential as to assets, and as to dividends to the extent of 3½ per cent., any dividend in excess of that sum to be equally shared by Ordinary and

Preferential shareholders. The holders of these shares will have a first claim on the bank's assets after all the bank's liabilities are fully satisfied; and with a guaranteed dividend of at least 3½ per cent., the shares should always have a good market value."

This means, I take it, that 3½ per cent. will first be paid on the Preference Shares. This done, the remaining profit will be distributed equally between Preferred and Ordinary. At a first glance, this seems unfair to the Ordinary shareholders; but a little reflection soon puts another complexion on the matter. The bank wants capital. Did it get it in the shape of Fixed Deposits, there would be the danger of withdrawals at the end of a period of years; and, consequently, some 30 to 35 per cent. of the aggregate would have to be held in a liquid state. But in the shape of capital there is no such danger; and, moreover, not one penny need be held in reserve against the said £300,000. The bank can trade with all of it. Now, it would have to pay 3½ per cent. on Fixed Deposits, and stand its chance of withdrawals. Instead, it offers 3½ per cent. in the shape of Preferred Shares,

and allows the holders to divide equally with the Ordinary members as well, thereby obviating the risks of withdrawals, and its attendant inconvenience. The bank, then, uses the whole of the £300,000 in strengthening the business; consequently, the nett profit is considerably increased, and the Preferred holder takes his share.

The Preferred Shares in question are fully paid; and as a speculation they look distinctly promising. The Royal Bank of Queensland is managed with great care and caution; and it would not be at all surprising, some few years hence, to see these Preferred Shares at a stiff premium.

The bank has paid off £258,000 of its Deferred Deposits, and has only to meet £42,000 at the end of the year, when its scheme of arrangement will be fully carried out. This it can do quite easily. Then it, so to speak, is free from the the incubus of 1893; and it only remains to be said that the Company's future looks very promising.

THE UNION BANK OF AUSTRALIA, LIMITED.

Head-Office: 71 Cornhill, E.C.

DATE.—FEBRUARY 28, 1901.

Ratio p.c. of Specie, Bullion and Cash Balances to Liabilities to the Public.	Ratio p.c. of Money at Call and Notice in London to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
16·02	2·09	8·30	26.41	8·49	4·67	13·16	84·21

60,000 Shares of £75 each and £25 paid.

	1891	1892	1893	1894	1895	1896	1897	1898	1899	1900	Average Dividend 1894 to 1900.
Highest, .	69½	64½	58½	46¾	38	34¼	31	30½	37½	39	
Lowest, .	61½	52½	33	31¼	30	24¾	25½	25¼	26½	32	
Div. % p.a.											
Feb. .	14	12	12	8	6	5	5	5	5	6	
Aug. .	14	12	8	6	5	5	5	5	6	7	$5\frac{9}{14}$%

Paid-up Capital, £1,500,000. Reserve Fund, £825,000.
Contingent Reserve, £175,000.

The Union Bank of Australia, if it be not one of the strongest, is at least one of the largest banks in Australasia; and its branches, which spread through the various States, amount to some 107. People are much too prone to judge the strength of a bank by the amount of its deposits; and if

we only examine this institution's collection of working resources, then its position is indeed excellent; but tested by another standard, its state of preparedness seems none too large.

Though the Union of Australia weathered the crisis of 1893 successfully, a glance at the highest and lowest prices of its shares for the decade ended 1900 will hardly cheer the souls of those who purchased during 1891 and 1892. From 69 to 25 means that many a member dropped over 50 per cent. of his capital; and an examination of the dividends tells the same tale; though at the moment they are ascending the scale again; and prices, consequently, are moving up in sympathy with them.

On the other hand, those who bought at the lowest in 1898 made a good speculation, and I do not think that they would be badly advised to convert a paper-profit into a cash one if they have not already done so. The public, because an Australian bank did not close its doors during 1893, thinks that it must be well prepared now; but such a deduction is distinctly fallacious, and the persistency with which a few survivors advertise

the fact is a little stupid, when the real question is: Could you face such another? There is such a thing as trading upon past reputation; and the game, I have always been given to understand, is not without its dangers.

Liabilities to the public are given in the balance-sheet as—

Circulation	£483,731
Deposits (including Inscribed Stock Deposits)	15,249,039
Bills payable and other Liabilities (including Reserves against doubtful Debts)	1,929,240
	£17,662,010

Cash assets are—

Specie on hand and Cash Balances .	£2,741,987
Bullion on hand and *in transitu* .	88,491
	£2,830,478

These show a ratio per cent. to the liabilities above-mentioned of 16·02; and a bank which possesses £16·02 of cash assets to meet each £100 it owes is obviously well prepared against any sudden drain upon its resources. We must remember, too, that the bank does not give the amount of its Inscribed Deposit Stock separately, and it

would be interesting to hear why this item, which is a kind of capital, is not duly specified. The amount, I believe, is £750,000, and interest at the rate of 4 per cent. is paid thereupon. Of course, if we deduct the said sum from "deposits," the bank's position will look a little stronger.

£370,000 is described as "Money at Call and Short Notice in London," and works out at a ratio per cent. of 2·09.

Investments are—

Consols and other Securities of, and guaranteed by, the Imperial Government		£145,208
India Government Sterling Stocks and Railway Guaranteed Stocks .		314,453
British Municipal and Colonial and Foreign Government Stocks and Debentures		181,407
Reserve Fund—		
Consols	£500,000	
Local Loans . . .	175,000	
National War Loan . .	150,000	
		825,000
		£1,466,068

This list, which is an excellent one, gives a ratio per cent. of 8·30 to the bank's public indebtedness. The Union Bank of Australia, then, on the 28th February last, held

£26·41 in cash assets, money at call and notice, and good securities to meet each £100 it owed to the public; and we want to know if such a position is satisfactory?

Satisfactory it perhaps is; but it would be an exaggeration to say that the bank's strength impresses one favourably, because it decidedly does not. True, these liquid assets are good, so good that perhaps the bank is sufficiently prepared to meet all probable demands; still, it seems to me that it is trading a little too near to the margin of safety, that, in short, it would be well-advised to increase its liquid assets to at least 30 per cent.

Advances are thus given—

Bills receivable, Loans and other Securities at London Office .	£2,642,397
Bills discounted, Bills receivable, Loans and other Securities at the Branches, ...	12,232,202
	£14,874,599

Here we find a ratio per cent. of 84·21, which seems to confirm the foregoing impression, to wit, that the bank is trading with a little too large a proportion of its deposits.

£601,011 is invested in Colonial bank

premises and property, and £128,669 in London leasehold premises.

The dividend for the half-year under discussion was at the rate of 8 per cent. per annum. Based upon a dividend of, say, 7 per cent., shares should be bought at 35 in order to return 5 per cent. on one's capital; and I myself should not care to give any more for them. Moreover, there is a liability of £50 upon each share; and it is questionable whether any person ought to accept such a responsibility, unless a bank holds at least from £35 to £40 in liquid assets to every £100 it owes to the public.

THE WESTERN AUSTRALIAN BANK.

DATE.—MARCH 25, 1901.

Ratio p.c. of Specie, Bullion and Cash Balances to Liabilities to the Public.	Ratio p.c. of Public Securities to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
62·18	2·47	64·65	5·21	10·43	15·64	49·84

Paid-up Capital, £100,000. Reserve Fund, £200,000.

The Western Australian Bank, whose head-office is at Perth (W.A.), and which

possesses twenty-nine branches, is represented in London by the Bank of Adelaide; and these two banks, though both belong to the smaller variety of Australian banking companies, are models of good government, and appreciably better prepared to protect the interests of their customers than the larger institutions in that Colony. They are the two strongest banks in Australia, as any of my readers who may care to compare their ratios with those given in previous reviews will readily perceive for themselves.

Liabilities to the public are entered in the balance-sheet as—

Notes in Circulation	£119,993
Bills in Circulation	21,928
Balances due to other Banks . .	33,533
Deposits not bearing Interest . .	1,006,302
Deposits bearing Interest . . .	728,702
Interest accrued on Fixed Deposits and Rebate on Bills Discounted . .	6,736
	£1,917,194

Cash assets are—

Specie in hand	£888,839
Bullion	124,211
Balances due from other Banks . .	169,317
Notes and Cheques on other Banks .	9,884
	£1,192,251

These show a ratio per cent. to the above liabilities of 62·18—a proportion which is not equalled by any bank in the United Kingdom. This Company holds £62·18 in cash assets to meet each £100 it owes; and a bank thus prepared would stand when those around it were going down like nine-pins. This it did during the panic of '93; and it could face another such panic with ease.

£47,400 is described as "Public Securities," and gives a ratio per cent. to liabilities of 2·47. It seems churlish to cavil at a balance-sheet of this description; but it would have been better had the bank specified the said securities in order to further emphasise its excellent position.

Of total liquid assets the Company holds 64·65. It has, then, £64·65 of cash assets and securities in reserve against every £100 of its public indebtedness; and there is no occasion to make any comment upon figures which must impress every reader with a sense of confidence and security.

Bank premises are put down as £53,235, and stamps in hand as £1927.

Advances are—

Bills receivable and all other Advances .	£913,133
Remittances *in transitu*	42,401
	£955,534

Here we find a ratio per cent. to liabilities of 49·84, a proportion which clearly shows that the bank is trading well within the margin of safety.

The nett profit for the half-year was £11,787, with £21,367 carried forward from the previous half-year. This was apportioned as under:—

17½ per cent. per annum free of Income Tax	£8,750
To carry forward	24,404
	£33,154

Not only is the bank's Reserve Fund twice as large as its capital, but it also carries to the next Profit and Loss Account a sum sufficient to pay 17½ per cent. per annum for the next two half-years, with £6904 to spare, thereby providing an excellent guarantee fund for future distributions. The Company pays on a small capital, which stands at the ratio of only 5·21 to liabilities;

consequently, dividends are bound to be large; and the rate in question was earned with positive ease.

The chairman, in his speech, on the 1st May last, remarks that the £10 paid shares, which carry a liability of the same amount, return about 7 per cent. on the market price of the shares; and, if such be the case, they are well worth buying. The bank, at any moment, can afford to trade with a much larger proportion of its deposits; and were business to show signs of increasing activity, it would probably add to its advances, when dividends would be benefited. These shares may be confidently recommended as a most promising speculation. The bank is managed with the greatest caution; and so far as its dividend-paying capacity is concerned, the maximum has by no means been reached, as a few really good years will probably demonstrate.

CHAPTER X

AFRICAN BANKS IN LONDON

THE bone of contention at the moment is a little slice of the map, on the east coast of Africa, painted green, about which politicians are shouting themselves hoarse, as though despairing of making a sensible suggestion, they must needs take each other by the throat—a curious way of surmounting a difficulty, and somewhat annoying to the mere financier, who is losing his money while the two political parties are squabbling among themselves *à propos* of the correct and Christian way to bring a handful of Boers to their senses.

They remind one of very superior old ladies who are most anxious to avoid a scandal, to keep the little affair from the knowledge of the most sensitive and refined Mrs Europe, and from the ears of the most humane and benevolent Mr Turk,

who all the while are laughing heartily in their sleeves and secretly rejoicing at the sacrifices these dear old ladies are making at the shrine of so-called Civilisation.

As a nation we have so many consciences, and each of them is divine and elastic; but the consensus of opinion seems to be that these dear old ladies, in their anxiety to pose as pious persons, who would not cause a fly unnecessary pain, neglected to kill the pig before they quarrelled over it. The talk, it is thought, should have been over the carcass of the animal; and it certainly does seem a little stupid to stop the hunt and quarrel about the correct and Christian way in which the pig ought to be stuck. They should, of course, have settled that little point before they entered the wood. And as to Mrs Europe and Mr Turk, they do not eat pork. But their civilised gaze is greedily fixed upon other estates that belong to Mr Imperial Bull. Hence their shocked and pious attitudes.

There is, however, one bright spot in a bad business, and I am referring to the splendid state of preparedness of the large African banks, which, during the war, have

conducted their business with the greatest caution, husbanding their resources, and keeping themselves strong in order to deal successfully with every possible contingency.

Among the six banks in London, in no single instance are there any signs of reckless trading. All, without exception, are strong in cash assets; and, as a class, these institutions are better managed and very much safer than the Australian banking companies, whose reckless trading and insane disregard of ordinary banking precautions brought about the crisis of 1893.

The directors of the African banks recognised that the war would possibly call attention in a marked manner to their position, and that during its continuance it was absolutely essential that their credit should be unassailable. Africa has every reason to be proud of its banks, whose prudent policy has saved us a bankrupt South Africa—an important factor in the situation, which squabbling politicians seem to have quite overlooked, and one of the brightest.

When the war is over, the banks will be found splendidly prepared to meet all legiti-

mate demands; and seeing how capably they have been handled during the process of hostilities, they surely may be confidently relied upon to advance cautiously and prudently to the mixed crowd that will besiege their doors after peace has been declared.

A boom, following the war, would test the banks severely. I say test. Tempt, however, is the better word, for their resources are considerable, and the only danger is that they might, in order to increase their dividends, trade with too large a proportion of their deposits; but it seems improbable that they will fall into so palpable a snare, especially with the fate of the Australian banks before their eyes.

These banks are now allowing from 3 to 4 per cent. on Fixed Deposits; and with the exception of the Bank of Adelaide, the Western Australian Bank and one or two other Australian companies, the depositor should sleep much more comfortably with his money in the African banks in spite of the war.

A large and splendidly-managed African bank in October last was allowing the following rates:—

"$3\frac{1}{2}$ per cent. on sums under, and 4 per cent. on amounts over, £1000, fixed for one year.

"Fixtures for longer periods are subject to special arrangements."

The various banks will be discussed in alphabetical order, and the first therefore is:—

AFRICAN BANKING CORPORATION, LIMITED.

HEAD-OFFICE: 43 to 46 THREADNEEDLE STREET, LONDON, E.C.

DATE.—MARCH 31, 1901.

Ratio p.c. of Coin, Bullion, Notes and Cash at Bankers to Liabilities to the Public.	Ratio p.c. of Money at Call to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
28·98	4·28	10·08	43·34	11·41	1·99	13·40	66·81

	1898	1899	1900
Highest	$4\frac{15}{16}$	$4\frac{3}{4}$	$4\frac{7}{16}$
Lowest	$4\frac{1}{8}$	$3\frac{1}{2}$	$3\frac{3}{4}$
Div. p.c. p.a. June	5	5	5
,, ,, Dec.	5	5	5

80,000 Shares of £10 each, and £5 paid.

Paid-up Capital, £400,000. Reserve Fund, £70,000.

The African Banking Company, which has its head-office in London, possesses twenty-eight branches and an agency in New York, whilst a glance at the above ratios plainly indicates that the bank is trading cautiously.

Liabilities to the public are given in the balance-sheet as—

Note Circulation	£108,062
Current Accounts and Deposits .	3,239,502
Drafts	156,341
	£3,503,905

Cash assets are—

Coin, Bullion and Notes in hand .	£835,991
Cash at Bankers	179,670
	£1,015,661

This gives a ratio per cent. to the above liabilities of 28·98; and a bank which holds £28·98 in cash to each £100 of its public liabilities is evidently well prepared to protect its depositors and customers.

£150,000 is described as "Money at Call"; and the ratio comes to 4·28.

Investments are—

British Corporation and Colonial Government, English and Indian Railway and other Government Securities (including Deposit with Cape Government against Note issue)	£345,401
Other Securities	7,955
	£353,356

Here we find a ratio per cent. to the bank's public indebtedness of 10·08; and it is satisfactory to see that the cash equivalent of "other Securities" is carried out separately.

In March last, the bank held £43·34 in liquid assets to meet every £100 it owed to its customers and depositors—a position which reflects considerable credit upon those who are responsible for its management.

Advances are—

Bills of Exchange purchased . . .	£982,536
Bills discounted, Loans and Advances	1,318,452
Coin commandeered by the late S.A.R.	40,008
	£2,340,996

This total works out at a ratio per cent. to liabilities of 66·81.

£137,800 is invested in premises and

stamps; and acceptances and endorsements came to £63,238.

The nett profit for the half-year, including £6782 forward, came to £16,368, and was distributed as follows—

Depreciation of Furniture . .	£468
Dividend 5 per cent. per annum .	10,000
Forward	5,900
	£16,368

The £5 paid shares are quoted (November 28) at $4\frac{1}{4}$ to $4\frac{3}{4}$; and as a speculation they seem fairly promising. The bank's Reserve Fund, however, is small; and were profits considerably larger than at present, the bank would be compelled to strengthen it year by year; therefore, dividends, even after the much-desired peace, are not likely to prove sensationally large. And then, again, there is the £40,000 of commandeered money.

Undoubtedly the bank's nett profits will increase appreciably after peace is restored; and its shares seem well worth holding; whilst it is quite possible that, in a few years' time, especially if the institution be as capably directed in the future as during the past, the accretion to capital value will be considerable.

Indeed, they look a good thing at $4\frac{3}{4}$ as a speculation; but I don't fancy they will improve so rapidly as those of some of the other African banks six months after the cessation of hostilities.

Of course, the bank's present position is a very strong one.

BANK OF AFRICA, LIMITED.

HEAD-OFFICE: 113 CANNON STREET, E.C.

DATE.—JUNE 30, 1901.

Ratio p.c. of Cash in hand at Call and Notice to Liabilities to the Public.	Ratio p.c. of Cash, Bills, etc., in transit to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c, of Bills and Advances to Liabilities to the Public.
24·70	2·70	13·51	40·91	13·51	8·34	21·85	79·67

	1891	1892	1893	1894	1895	1896	1897	1898	1899	1900	Average Dividend
Highest .	$10\frac{1}{4}$	$8\frac{1}{4}$	$8\frac{7}{8}$	$8\frac{1}{4}$	$12\frac{3}{4}$	$10\frac{5}{8}$	$11\frac{1}{4}$	$11\frac{1}{8}$	$12\frac{5}{8}$	$11\frac{5}{8}$	
Lowest .	7	$6\frac{1}{2}$	$6\frac{1}{2}$	$6\frac{15}{16}$	$7\frac{3}{8}$	$7\frac{9}{16}$	$8\frac{3}{4}$	10	$8\frac{1}{4}$	$9\frac{1}{8}$	
Div. % p.a.											
Apr. .	10	10	10	10	12	12	12	12	12	12	
Oct. .	10	10	10	10	12	12	12	12	12	12	$11\frac{1}{5}$%

120,000 Shares of £18, 15s., and £6, 5s. paid.
Paid-up Capital, £750,000. Reserve Fund, £463,000.

This bank, which was established in 1879, possesses some thirty-six branches, thirteen

of which are in Cape Colony, eleven in Orange River Colony, four in the Transvaal, and so on. Were this an Australian bank, I should say that its position looked very strong indeed; but the African banks are so noticeably well prepared at the moment that, when compared with others of its kind, the Bank of Africa's state of preparedness does not impress one. However, a glance at the ratios given above seems to indicate pretty clearly that there need be no hesitation in trusting it.

Liabilities to the public are entered in the balance-sheet as—

Notes in Circulation . . .	£436,198
Bills payable	422,731
Deposits, Current Accounts, and other Liabilities . . .	4,753,919
	5,612,848
Less Acceptances .	62,235
	£5,550,613

Cash assets are—

Cash on hand, with Bankers, at Call and Short Notice . .	£1,371,288

This item is given in a somewhat unsatisfactory manner. Indeed, it is rather peculiar that the bank should not state the actual amount

of cash in hand and with bankers separately; for it must know that a credit institution's most vital asset is legal tender. Why, then, does the Company lump its cash and call money together? What objective has it? Surely, if the balance-sheet is intended to show the members and customers the bank's exact position to meet its liabilities promptly, it is absolutely essential that money at short notice should be entered apart from legal tender!

However, we must take things as we find them; and, after all, a bank which holds £24·70 in cash assets against each £100 it owes to the public should be well prepared to deal with emergencies—more especially when we remember that a certain proportion of its deposits is "fixed."

£150,302 is described as "Cash, Bills, etc., *in transitu*"; and here, again, unless the said bills are within, say, seven days of maturity, they can hardly be included with the liquid assets of a bank, while specie in transit should certainly be distinguished from "Bills, *etc.*," in a balance-sheet. This total works out at a ratio per cent. to liabilities of 2·70.

Investments are put down as—

Government, Colonial and other Securities	£749,942

These are very loosely described; and, in fact, it is only fair criticism to say that the balance-sheet is compiled with a strange lack of skill; and when we are told that it exhibits "a true and correct view of the bank's affairs," one feels tempted to ask:

"How much cash had the bank in its tills?"

"How much with other bankers at call?"

"How much at short notice?"

"How much money has it invested in Government Securities?"

"How much has it in Colonial Securities?"

"How much has it in other Securities; and what on earth are they?"

Now, the balance-sheet does not answer a single one of these questions in detail; therefore it seems absurd to say that the document "exhibits a true and correct view of the state of the bank's affairs." How can it, unless legal tender and securities are specified? No doubt the balance-sheet is

quite reliable; but if the bank have a large holding in premier securities, then why does it not state the exact sum, and thereby advertise its strength? Surely, if it held, say, £300,000 in Consols, it would not neglect to specify them in the balance-sheet. The ratio per cent. to liabilities works out at 13·51.

Of total liquid assets, the bank holds £40·91 to each £100 of its public indebtedness—a percentage which should satisfy both its shareholders and customers; and so long as this ratio is maintained, it is fully entitled to the confidence of the public; though those persons who compiled the balance-sheet appear to know very little of the relative value of its assets to the wants of a credit bank. At any rate, there is but small evidence in its compilation of any sense of proportion.

Advances are—

Bills receivable	£917,205
Loans on Security, Temporary Advances, etc. . . .	2,889,456
Bills discounted	565,715
Gold Coin commandeered by the late S.A.R.	50,000
	£4,422,376

The last item in the above list will doubtless prove solacing to those mysterious persons called Pro-Boers; but by the patriot, and, above all, by the shareholder, it will probably meet with a mixed reception, for its presence there will doubtless give rise to heated polemics concerning the ethics of specie lifting; but seeing that the bank earned £48,551 nett profit for the half-year, the said item, though distinctly undesirable, need cause no uneasiness. The ratio per cent. of the above advances to liabilities works out at 79·67—a proportion which seems quite full enough, though not too large.

£129,614 is invested in premises and furniture, and £5270 in stamps, stationery, etc.

Capitalised on a dividend of 11½ per cent., the following sum will show us at what price the shares should be bought in order to return 5 per cent. on the purchase money:—

$$\frac{11\frac{1}{2} \times 6\frac{1}{4}}{5} = 14\tfrac{3}{8}.$$

As a speculation they seem worth buying at anything under 12. The bank has maintained its dividend of 12 per cent. in spite of the war, and it has accumulated a large Reserve Fund; but it pays on a large ratio

of capital to deposits—so large, in fact, that its 12 per cent. distribution is somewhat surprising; and, unless its deposits increase very rapidly, it is difficult to see how it can add to it, and, at the same time, maintain an adequate supply of liquid assets against liabilities.

Its shares do not look nearly so promising as the Standard Bank's; but the Bank of Africa seems well managed, and, so far as one can judge from its balance-sheet, fully entitled to the confidence of the public. Purchasers of its shares at 3 in 1885 certainly cannot complain!

THE NATAL BANK, LIMITED.

LONDON OFFICE: 18 ST SWITHIN'S LANE, E.C.

DATE.—DECEMBER 31, 1900.

Ratio p.c. of Cash in hand to Liabilities to the Public.	Ratio p.c. of Money at Call and Short Notice to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
32·01	8·18	9·30	49·49	9·83	4·15	13·98	62·73

25,884 A Shares of £10 each, and £5 paid.
61,927 B Shares of £10 each, and £2, 10s. paid.
Paid-up Capital, £284,237. Reserve Fund, £120,000.

The Natal Bank, whose head-office is in Pietermaritzburg, possesses some fifteen branches, including its London office; and we have only to glance at the above ratios to see that it is an exceptionally strong institution.

Liabilities to the public are entered in the balance-sheet as—

Pension Fund	£12,353
Notes in Circulation	89,769
Fixed Deposits, Current, and other Accounts	2,564,485
Balances due to other Banks .	53,781
Bills payable, and Drafts in Circulation	170,812
	£2,891,200

Against this the bank held in cash—

Coin at Head-Office and Branches	£922,561
Notes of other Banks, Drafts, Cash Orders, etc.	2,908
	£925,469

This works out at a ratio per cent. to the above liabilities of 32·01; and the proportion, in a sense, is a remarkable one. Moreover, the statement is extremely lucid, and we can see that nearly the whole of this total con-

sists of legal tender. Here, then, is a South African bank which, at December last, held £32·01 in cash to each £100 it owed; and it is unnecessary to remark that such a proportion is simply excellent.

One may perhaps ask: "Is not such a percentage unnecessarily large?" During normal times it undoubtedly would be; but we must remember that Natal bore the brunt of the fighting, and that, had a rumour then gone abroad to the effect that the Natal Bank was weak, infinite harm might have been done. To obviate such an occurrence the bank very wisely kept itself exceptionally strong in its most vital asset, to wit, hard cash. It recognised that the time was not one for half measures; and it did what every prudent banking company ought to do when the credit of a country is threatened, viz., kept plenty of cash in its safes. When credit is bad, the banks of a country should be strong; for if they are not, and were a crisis to supervene, both the banks and their customers would be ruined. Recognising this, the bank in question took every precaution; and, undoubtedly, it did the right thing. It could not be too strong when the

Boers were in front of Ladysmith, and it will probably trade very cautiously for some years to come.

£236,511 represents cash balances with London bankers and other banks, and short loans in London against securities. These give a ratio per cent. to liabilities of 8·18.

Investments are—

British, Indian and Colonial Government Securities . .	£217,952
Railway Debenture Stocks and other Securities . . .	51,108
	£269,060

These work out at a ratio per cent. to liabilities of 9·30. Perhaps it would have been better had the bank given the amount of its British Government securities separately. However, the list is divided into two varieties; and the balance-sheet, as a whole, is skilfully compiled; for we really can, in this instance, see almost exactly how the bank stands. The very fact is enough to make a person whose business it is to review these balance-sheets give thanks, as the majority of them are tangled webs indeed.

The Company, on the 31st December last, held £49·49 in cash assets and good securities to meet each £100 of its public indebtedness; and there need be no hesitation in asserting that it is an excellent little bank with which either to bank or to deposit. Why, when times are dull, accept ½ per cent. on deposit if a strong little bank like this will give you 3?

Advances are put down as—

Bills of Exchange on hand . .	£106,368
Bills discounted, Loans, Advances, etc.	1,521,747
Specie commandeered by late S.A.R.	20,700
Remittances *in transitu*. . .	164,914
	£1,813,729

This works out at a ratio per cent. of 62·73 to liabilities; and, no doubt, as the country becomes more settled, this proportion will be considerably increased, when dividends will rise with it.

£62,072 is invested in bank premises and property, partly rent-producing, and £6155 in furniture, stamps, and stationery.

The nett profit, including £12,559 forward,

came to £47,484, and was distributed as under—

10 per cent. per annum Dividend, paid July 1900	£14,211
10 per cent. per annum Dividend, payable February 1901 . .	14,211
Pension Fund	1,500
Forward	17,562
	£47,484

For the year ended December 1899 the bank paid 10 per cent. and 2 per cent. bonus, making 12 per cent. in all; and after the present troubles in South Africa are ended, we shall doubtless again see it revert to the old order of things. Its prudent policy and sound judgment during a trying period are worthy of all praise.

[THE NATIONAL BANK OF THE SOUTH AFRICAN REPUBLIC, LIMITED.

THE NATIONAL BANK OF THE SOUTH AFRICAN REPUBLIC, LIMITED.

LONDON OFFICE: 73 CORNHILL, E.C.

DATE.—DECEMBER 31, 1900.

Ratio p.c. of Cash in hand, with Bankers, Bullion, and Remittances in transit to Liabilities to the Public.	Ratio p.c. of Money at Call and Notice to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
34·80	4·73	40·68	80·21	75·00	3·33	78·33	87·67

	1895	1896	1897	1898	1899	1900
Highest	$15\frac{1}{4}$	$12\frac{7}{8}$	$14\frac{1}{4}$	$14\frac{3}{4}$	$15\frac{3}{4}$	12
Lowest	$9\frac{3}{16}$	$10\frac{3}{8}$	$11\frac{7}{8}$	$13\frac{7}{16}$	$12\frac{5}{16}$	$8\frac{15}{16}$
Div. p.c. p.a., May .	5 yr.	8	14	12	12	...
,, ,, Aug. .	6	6	8	8	10	...

110,000 Shares of £10 paid. Liability equal to the holding.
Paid-up Capital, £1,100,000. Reserve Fund, £48,900.

This bank, which was established in 1891 by special resolution of the Volksraad, possesses some thirty-seven branches, thirty-one of which are in the Transvaal. The balance-sheet tells a somewhat sorry tale from a domestic point of view; for we read that certain directors have been disqualified by

the military governor of Pretoria, that the bank will have to change its name, and so on. The penny, in short, came down on the wrong side; and as Kruger is gone—why, long live the King! The bank, like an individual, will adapt itself to its changed surroundings. Life is so short, and death is so certain; and a soulless company cannot afford to indulge in sentiment or in patriotism. Nor would shareholders, who are burdened with souls, approve of their money being flung away on a lost cause. It is precisely the same on this side of the water. How human we all are—Boers and Britons!

Financially, the bank's position looks strong, despite the trying times through which it has passed, and the fact that its current accounts and deposits are £1,938,420 less than in 1898. Indeed, the ship has been skilfully piloted, and it is wonderful that it has come through such a storm so little damaged. Still, as a rule, one does not steal the eggs from one's own nest. It is more usual to take them from one's neighbour's. And this time-honoured custom may, perhaps, account for the fact that the National Bank was so little pillaged by a

psalm-singing nation. Whatever one sings, or to whomsoever one sings it, one asks for the goods of other people. We, in this country, are guilty of the same absurdity; but we, of course, are the Chosen Nation! Then, why do we keep our fleet?

Liabilities to the public are given as—

Notes in Circulation . .	£278,558
Deposit, Current, and other Accounts	1,156,640
Drafts in Circulation . .	31,304
	£1,466,502

Cash is thus described—

On hand, with Bankers, Bullion, and Remittances in transit	£510,467

The ratio per cent. to the above liabilities is 34·80; and a bank which holds £34·80 in cash against each £100 it owes to the public is simply splendidly prepared to meet the risks of a banking business. Remittances, I take it, are cash documents; but it would have been better had their cash equivalent been given separately.

£69,400 is entered as "Money at Call and

Short Notice against Securities," and gives a ratio of 4·73.

Investments are—

Government, Railway and Municipal Securities and Obligations	£547,800
Investment of Reserve Fund (*What in?*)	48,900
	£596,700

Here the ratio per cent. to liabilities is 40·68, and it is hardly necessary to add that the list is badly compiled. What is the amount of the bank's holding in Government securities? and what is the Government—the British, or the late-lamented S.A.R.?

The bank's liquid assets come to 80·21; and if the above list of securities be tangible, then the Company's state of preparedness is excellent. The bank holds £80·21 in liquid assets to every £100 of its public indebtedness, and it is quite evident therefrom, with the reservation aforesaid, that when tranquillity is restored this institution will be in a position to increase its advances, and, consequently, its nett profits.

Advances are—

Bills of Exchange purchased and current at date . .	£36,344
Bills discounted and Advances to Customers . . .	1,249,423
	£1,285,767

These give a ratio per cent. to liabilities of 87·67. At first sight this looks large, but a glance at the bank's Working Capital instantly reveals the situation, and it is quite evident that the bank can support a very much larger ratio.

The nett profit (taken from the "Report of the Managing Director for the Years 1899 and 1900") comes to £111,931 for the two years in question, and was distributed as under—

5 per cent. on Ordinary Capital of £1,000,000 (being amount of Interim Dividend paid July 1899)	£50,000
Reserve Fund (making it £70,000)	21,100
Pension Fund	5,000
Balance forward . . .	35,831
	£111,931

Attention is drawn to the fact that the amount carried forward is sufficient to provide a dividend of 3 per cent., which is not, however, recommended in view of hostilities still continuing.

£98,505 is invested in premises and properties in South Africa and London; and £18,777 in furniture, stationery, stamps, etc.

Capital adjustment, £98,000, also appears on the credit side of the balance-sheet ("for which new shares for £100,000 are to be issued in lieu of founders' shares, right to cumulative dividends, and Government's right to surplus profits, as per Resolution of Extraordinary General Meeting of 22nd March 1899").

Lastly, we arrive at the value of the bank's shares, which are quoted at 9½ to 10½; and it seems to me that, as a speculation, they are worth, say, 9. Deposits have shrunk rapidly since 1898, therefore the old distributions are out of the question for many years to come; but provided its advances and securities are all right, the Company ought to earn, say, 5 or 5½ per cent. per annum pretty comfortably when demand sets in after the war, for we have seen that,

from the figures in its balance-sheet, it is in a position to employ a much larger proportion of its resources. It seems to me, however, that there are much more promising African bank shares than these.

ROBINSON SOUTH AFRICAN BANKING COMPANY, LIMITED.

HEAD-OFFICE: 1 BANK BUILDINGS, LOTHBURY, LONDON, E.C.

DATE.—SEPTEMBER 30, 1901.

Ratio p.c. of Cash in hand and with Bankers to Liabilities to the Public.	Ratio p.c. of Money with Bankers and at short notice to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills, Advances, and "other Securities" to Liabilities to the Public.
33·67	97·02	20·09	150·78	502·48	4·81	507·29	463·72

Capital subscribed and fully paid—

744,000 Ordinary Shares of £4 each	£2,976,000
6,000 Deferred Shares of £4 each	24,000
	£3,000,000

Reserve Fund	£28,720

The Robinson South African Banking Company has branches at Johannesburg, Randfontein, Cape Town, Port Elizabeth and Paris; and its list of agents is much too long to be included in this review; but why the Company should call itself a bank is, perhaps, a little difficult to explain; for though it transacts a general banking business and receives Fixed Deposits it is hardly a bank in the accepted sense of the word in this country.

For instance, "other Investments," which are given in the balance-sheet as £1,872,461, represent, I take it, the bank's holdings in various estates and mines, which, though doubtless extremely valuable assets, are quite outside the list of securities in which a banking company should invest. This sum, therefore, is included with the bank's advances.

As a bank the Company is open to certain objections, but as a finance company the ratios in the above table clearly tell us that its position is an exceptionally strong one. I am speaking from the point of view of the customer and depositor rather than of the shareholder.

Liabilities to the public are given as—

Deposit, Current and other Accounts .	£584,873
Drafts in Circulation	12,154
	£597,027

Cash is thus described—

In hand, with Bankers, and at Branches	£201,050

This gives a ratio per cent. to the above liabilities of 33·67; and a bank which holds £33·67 in cash against each £100 of its public indebtedness is evidently well prepared to meet those sudden demands which make banking so dangerous a business.

£579,272 is entered as "Deposits with Bankers and Loans on Securities at Short Notice." The said sum works out at a ratio per cent. to liabilities of 97·02.

Investments are—

Consols (£112,500) and Indian Government Securities . . .	£120,000

Here the ratio is 20·09; and the list could not be a stronger one or better adapted to the requirements of a banking institution. Naturally, when a company possesses securities of this description it advertises

the fact in its balance-sheet. Had the list been a weak one some banks would have described it thus: "Consols and other Securities." Accountants are quite prepared to sign such evasive statements for a fee. They are eminently human in that respect.

The bank, then, on the 30th September last, held £150·78 in cash assets and gilt-edged securities to meet each £100 it owed to the public; and it is only fair to say that there is not a single bank in this country that affords its customers so liberal a guarantee. The Robinson Bank could meet any run that might be made upon it without an effort. It could, in fact, pay off every penny of its public indebtedness, and then tranquilly proceed with its business. But I do not believe that it will ever become a great banking institution.

A bank should confine its attention to the business of a banker, whose policy it is to avoid estates; because, if a bank invest largely in them, a time is almost certain to come when they will prove a drain upon its resources. The Australian banks made the experiment and paid the penalty. In the present instance the depositor is amply

secured; but the shareholder's position, of course, is more speculative.

Advances are—

Bills of Exchange purchased . .	£153,303
Bills discounted and Advances to Customers	742,814
Other Investments	1,872,461
	£2,768,578

Here we find a ratio per cent. to liabilities of 463·72, which the bank's huge Paid-up Capital enables it to support easily.

£24,186 is invested in premises, and £328 in stamps.

The nett profit for the year, including £28,423 forward, came to £67,668, which was distributed in the following manner—

1¼ per cent. on Ordinary Shares free of Income Tax	£37,200
Balance forward	30,468
	£67,668

For the year ended September 1900, the nett profit came to £177,223, and a dividend of 5 per cent. was declared; but this only emphasises the assertion that the Company makes more profit on its "other Investments" than from its banking business.

Finally, we arrive at the value of the shares and the position of the shareholder, who, I think, should look upon this Company as a financial, rather than as a banking, institution. Perhaps it would be more correct to say that it combines both businesses; but its public indebtedness is, comparatively speaking, small, and the Company relies upon its large capital of £3,000,000 for trading purposes.

The ratio per cent. of capital to public liabilities works out at 502·48; and no institution, which derived its profits solely from a banking business, could pay, say, 8 per cent. upon so large a proportion. Indeed, I question whether it could pay more than 5 or 6 during the best of times. It follows, therefore, that the ordinary shareholders of the Robinson Bank will never see, say, 20 per cent. for their money as, in every probability, will those of the Standard Bank at some future date.

But "other Investments" came to £1,872,461; and here, I take it, is the source whence dividends will come. South African land and finance companies are undergoing a period of acute depression,

and not many of them, I venture to assert, can publish such a strong balance-sheet as the Robinson Bank, whose resources are plentiful.

It kept itself strong at a critical moment and waited, and it is only reasonable to assume that, when the boom does come after the peace, "other Investments" will add to the profits of the Company very considerably; but this is not banking.

The shares are now quoted at 3 to 3¼, and at anything under 4 they look a distinctly promising speculation. But I will never believe that a bank of this description can pay steady dividends; and, were I lucky enough to hold shares during a boom in financial wares South African, when I saw a good margin of profit, I would sell my shares and take it.

Undoubtedly, the shares should be held at the moment; for the position of the Robinson Bank is sound—enviable even; and it is almost certain to share in the expected trade activity after the war, but it is as well to bear in mind that this institution is not a bank in the sense that the Standard Bank is.

THE STANDARD BANK OF SOUTH AFRICA, LIMITED.

HEAD-OFFICE: 10 CLEMENT'S LANE, LONDON, E.C.

DATE.—JUNE 30, 1901.

Ratio p.c. of Cash in hand and with Bankers to Liabilities to the Public.	Ratio p.c. of Deposits with Bankers and Short Loans to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
23·88	13·98	21·37	59·23	6·26	6·14	12·40	53·28

	1891	1892	1893	1894	1895	1896	1897	1898	1899	1900	Average Dividend.
Highest, .	$55\frac{3}{4}$	$54\frac{3}{4}$	$56\frac{1}{4}$	$56\frac{1}{4}$	66	$67\frac{1}{2}$	$67\frac{7}{8}$	71	72	$72\frac{3}{4}$	
Lowest, .	$49\frac{1}{2}$	$49\frac{1}{4}$	$47\frac{1}{4}$	$50\frac{1}{2}$	$55\frac{1}{4}$	$52\frac{1}{2}$	$57\frac{1}{2}$	61	50	$55\frac{1}{2}$	
Div. % p.a.											
April, .	14	14	14	14	14	16	16	16	16	16	
Oct., .	14	14	14	14	16	16	16	16	16	16	$15\frac{1}{10}$%

50,000 Shares of £100 each, and £25 paid.
Paid-up Capital, £1,250,000. Reserve Fund, £1,225,000.

The Standard Bank was established in 1862, so it is exactly thirty-nine years old, and is, as banks go, in its youth—a vigorous youth, too. It possesses, besides its head-office, 102 branches, of which 72 are in the Cape of Good Hope, 8 in Natal, 12 in the Transvaal, and 5 in Rhodesia, etc. The

bank, which has always been distinguished by prudent government, has accumulated deposits very rapidly, and a glance at the ratios given above tells us plainly enough that it is as safe as the best of the English banking companies.

Liabilities to the public are stated as—

Notes in Circulation	£1,303,452
Deposits, Current and other Accounts	17,761,251
Drafts and Acceptances under Credits	878,937
	£19,943,640

Cash assets are—

Cash in hand and with Bankers . .	£4,614,783
Native Gold in hand	148,548
	£4,763,331

These show a ratio per cent. to the above liabilities of 23·88—a strong proportion.

£2,788,212 is described as "deposits with bankers and loans on securities at short notice," and works out at a ratio per cent. of 13·98.

Investments are thus described—

Consols, Treasury Bills, Colonial Government and Municipal and other Securities (including Deposits with the Cape Government) . .	£4,263,710

Here we find a ratio per cent. to liabilities of 21·37. It would have been more business-like had the bank particularised these assets in the balance-sheet, as one could then have learned the precise value of this large sum to a banking company; whereas, arranged in the foregoing manner, one cannot tell what proportion is invested in Consols, and so on.

As to the bank's position—it is undoubted. Not only is it the largest, but it is, perhaps, the strongest bank in South Africa. It held, in June last, £59·23 in liquid assets to meet each £100 it owed to the public, and we need hardly remark that both its depositors and shareholders, on such a showing, can regard the future with equanimity.

Advances are—

Bills of Exchange	£4,609,740
Bills discounted and Current Accounts (including £151,481 commandeered by the late S.A.R.) .	5,471,002
Remittances *in transitu*	546,670
	£10,627,412

These give a ratio per cent. to liabilities of 53·28, and, needless to say, during normal

times, the bank can safely support a considerably larger ratio than this.

£206,510 is invested in bank property, premises and furniture, and £10,680 in stamps, etc.

The following sum will show us at what price its shares should be bought to return, capitalised on a basis of 15½ per cent., a probable average dividend of 5 per cent. to the purchaser—

$$\frac{15\frac{1}{2} \times 25}{5} = 77\tfrac{1}{2}.$$

Their present price is 73 to 75; and, in my opinion, they are well worth it. Should they fall below 70, then, as a speculative investment, they are decidedly worth attention; for, in spite of the war, the bank declared its usual dividend of 16 per cent. in October last, besides adding £30,000 to various funds, and carrying forward £46,081; so it was by no means hard pressed to support normal distributions.

It has a splendid Reserve Fund; and, further, it pays upon a small ratio of Paid-up Capital to liabilities, to wit, 6·26; consequently, it can distribute large dividends

with ease; and seeing that, when the war is over, it will certainly employ more of its resources, in every probability, given a few prosperous years, its dividends will touch 18 and even 19 per cent.

I do not say that its shares will not recede further; because, at the moment, markets are so unsettled, and liable to give way on the most absurd rumours; but if these shares drop below 70, they should be bought. As it is, they are well worth holding. In fact, they should be held; for the bank has not paid its highest dividend yet. Fortunate indeed were those people who bought at 33 in 1885.

CHAPTER XI

INDIAN BANKS IN LONDON

CHARTERED BANK OF INDIA, AUSTRALIA, AND CHINA.

HEAD-OFFICE: HATTON COURT, THREADNEEDLE STREET, LONDON.

DATE.—DECEMBER 31, 1900.

Ratio p.c. of Cash in hand, with Bankers, and Bullion to Liabilities to the Public.	Ratio p.c. of Securities to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
27·39	10·49	37·88	6·33	4·15	10·48	70·80

	1891	1892	1893	1894	1895	1896	1897	1898	1899	1900	Average Dividend.
Highest .	$29\frac{3}{8}$	$24\frac{1}{2}$	$23\frac{3}{4}$	$24\frac{5}{8}$	$28\frac{1}{2}$	$29\frac{7}{8}$	$30\frac{3}{4}$	$34\frac{1}{4}$	40	$38\frac{1}{4}$	
Lowest .	22	$19\frac{1}{2}$	18	$19\frac{1}{4}$	$22\frac{7}{16}$	$25\frac{3}{4}$	$26\frac{1}{4}$	$28\frac{3}{4}$	$33\frac{1}{8}$	$32\frac{3}{4}$	
Div. % p.a.											
April .	7	7	7	9	9	9	9	10	10	10	
Oct. .	7	7	7	7	7	7	8	10	10	10	$8\frac{7}{20}$ %

40,000 Shares of £20 paid. Liability (reserve), £20 per Share.

Paid-up Capital, £800,000. Reserve Fund, £525,000.

The Chartered Bank, which was established in 1853, possesses some twenty-two branches and agencies. Liabilities to the public are entered in the balance-sheet as—

Notes in Circulation	£734,684
Current Accounts	4,598,239
Fixed Deposits	4,577,032
Drafts on demand and at short sight on Head-Office and Branches	988,731
Drafts on London and Foreign Bankers	956,308
Loans payable against Securities	697,621
Due to Agents and Correspondents	33,829
Sundry Liabilities	44,134
	£12,630,578

Cash assets are thus described—

Cash in hand and with Bankers	£2,726,023
Bullion	734,537
	£3,460,560

These show a ratio per cent. to the above liabilities of 27·39—an excellent proportion, especially when one takes into consideration that the bank's "fixed" deposits are almost as large as its current-account balances. Still, it would be interesting to learn how much cash the bank has in its safes, and how much with bankers.

Investments are—

Government and other Securities . .	£737,469
Security lodged against Note Issues and Government Deposits . . .	587,495
	£1,324,964

Here we find a ratio per cent. to liabilities of 10·49. But surely the public is entitled to a more intelligible statement than the above. Has the bank £100 or £500,000 invested in Government securities; and what are "other Securities"? It is absurd to compile a balance-sheet in this vague fashion. The depositor, naturally enough, wants to know what security the bank affords him against loss; and it will puzzle him to ascertain where its money is invested from a crude statement of this description.

The second item, we see, is hypothecated to the Government, which, therefore, is a preferential creditor to that extent; so the sum, strictly speaking, cannot be called liquid, because the bank would have to pay off its indebtedness to the Government before it could realise the said security. Again what is the nature of the security?

"Security," in a balance-sheet, seems a little vague.

The bank, then, possesses £37·88 in cash assets and "Government and other Securities" to meet each £100 of its liabilities to the public; and, taking into consideration the large percentage of cash in this ratio, its position looks sound—strong even.

But the Company has incurred a liability on bills of exchange re-discounted to the extent of £4,948,618, of which, up to this date, £3,835,572 has run off.

On the 31st December 1900, I take it, the bank was liable on re-discounts to the tune of £1,113,046, and it had hypothecated securities for an additional £697,621. Now, suppose a crisis had occurred in India during December. Would not these re-discounted bills have seriously hampered the Chartered Bank in its endeavour to meet it successfully? It is quite probable that, during a time of bad credit, the bank might be called upon to meet a certain proportion of these bills; and it seems to me that the practice of re-discounting should be kept well within limits.

This liability, to my mind, is a little disquieting; and both customers and shareholders would be much better protected were it very appreciably reduced.

Advances are—

Bills of Exchange	£4,424,100
Bills discounted and Loans .	4,518,357
	£8,942,457

These show a ratio per cent. to liabilities of 70·80.

The nett profit for the year and amount forward came to £161,532, and was distributed as under—

10 per cent. per annum to 30th June	£40,000
Bonus to Staff	10,000
10 per cent. per annum to 31st December	40,000
Reserve Fund	50,000
Forward	21,532
	£161,532

It is evident from this that the bank is not distributing dividends up to the hilt. Indeed, it could have paid 17 per cent. for the year had it liked, but it very wisely preferred to strengthen its Reserve Fund to the extent of £50,000; and the bonus to the

staff will doubtless be much more appreciated than the senseless votes of thanks which are indulged in by bank directors in this country. Meat without grace is infinitely more desirable than grace without meat—especially to a hungry man.

The following sum, based on the average distribution for the last ten years, will show us at what price the bank's shares should be bought in order to return a probable average dividend of 5 per cent. on the purchase money :—

$$\frac{8\frac{7}{20} \times 20}{5} = 33\frac{2}{5}.$$

Based on a dividend of 10 per cent., the sum would give 40 as the answer, which, perhaps, is nearer their present value, as the dividend for the year ending 1901 will probably exceed 10 per cent. As a speculation the shares look worth buying at about 35 or so.

Indian banking does not seem so profitable as English banking. The bank in question has a ratio per cent. of capital to liabilities of only 6·33, yet its dividends are not proportionately large, though, as has been shown, it could have paid 17 per cent.

last year, and speculators might bear that fact in mind.

The London City and Midland on a ratio of 6·66 paid 18½ per cent.; the South-Western on a ratio of 6·75 paid 16 per cent.; and the London and Westminster on 10·40 paid 16 per cent.

This seems the strongest of the Indian banks; but I myself would rather deposit with a sound African or Australian company, which has not such heavy liabilities on re-discounts.

DELHI AND LONDON BANK, LIMITED.

HEAD-OFFICE: ROYAL BANK BUILDINGS, 123 BISHOPSGATE STREET WITHIN, E.C.

DATE.—JUNE 30, 1901.

Ratio p.c. of Cash in hand and with Bankers to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Capital to Liabilities to the Public.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
7·77	6·49	14·26	25·77	109·43

13,505 Shares of £25 each fully paid (Indian portion at par).
Capital, £337,625.

The Delhi and London Bank has some five branches in India, and the above ratios indicate clearly enough that but little can be said in its favour.

Liabilities to the public are given as—

Current and Deposit Accounts with Accrued Interest, and Circular Notes	£1,215,244
Bills payable	2,203
Loans on Security	52,000
Balances between Head-Office, Branches and Agencies, Exchange Accounts, etc. . .	40,403
	£1,309,850

The bank, we can see, has borrowed £52,000 against securities, which, we are told, appear opposite in the balance-sheet. This sum, I take it, has been borrowed on bills of exchange, not upon the investments of the Company.

Cash is put down as—

In hand at the Head-Office and Branches, and with the Company's Bankers	£101,843

This works out at a ratio per cent. to the above liabilities of 7·77. The bank, then, at June last, held only £7·77 in cash to meet

each £100 it owed to the public: and were 7·77 multiplied by two, it seems to me that the result would be too small. How could a credit bank possibly meet a run or a persistent withdrawal of deposits with so small an amount of cash, and how could it possibly face a crisis were it caught with so small a percentage? It seems to me that the Company should increase this, its most vital asset, to at least £200,000.

Investments are—

Government Securities . . .	£71,528
Other Securities, including Bills purchased	13,591
	£85,119

This total gives a ratio per cent. to public liabilities of 6·49. Bills purchased, however, in times of stress, would hardly prove a liquid asset, and it would have been better had the bank stated their cash equivalent separately in the balance-sheet.

At June last the Company possessed £14·26 in liquid assets to meet each £100 of its public indebtedness. Surely this is trading much too near the line. It seems

to me that, taking into consideration the fact that a bank's very existence may one day depend upon its ability to liquidate a certain proportion of its public liabilities speedily, no banking company can afford to hold less than from £30 to £35 in liquid assets against every £100 it owes to the public, even though its deposits be fixed.

Advances are—

Loans and Advances to Customers on Government and other Securities, and other Accounts, including Bills under discount . . .	£1,433,395

This works out at a ratio per cent. to liabilities of 109·43—a proportion which indicates pretty clearly that the bank is trading with too large a percentage of its deposits.

Contingent liability on bills receivable rediscounted is given as £83,368, of which, up to this date, £28,825 has run off.

The nett profit for the half-year amounted to £8798, which, added to the balance forward of £5406, came to £14,204, and was apportioned as follows:—

4 per cent. per annum, free of Income Tax	£6,752
To Doubtful Debt Account .	2,000
Balance forward	5,452
	£14,204

The bank has no Reserve Fund; its liquid assets are noticeably small, and, the auditors say in their certificate :—

"There are various irregular accounts included in the Assets, the Losses on which have not yet been realised. It is estimated that a provision of £19,000 will be necessary to provide for the eventual losses thereon. *This provision has still to be made.*"

The italics are my own. Here is a bank, then, without a Reserve Fund, which has to provide a sum of £19,000 to cover estimated losses; and yet, in the face of this, it declares a dividend of 4 per cent. per annum. Surely this is not prudent. The Company is only putting off the inevitable; and if its directors be wise they will immediately cease distributions, and set to work to increase the bank's liquid assets, and to accumulate the £19,000 in question, with the money which they are now paying away to the members.

As to the value of the shares—the less

said about that the better; though, perhaps, it is as well to remind the members that it is one thing to hold shares in a bank which keeps £40 in liquid assets against each £100 of its public liabilities, and quite another to be interested in a company which possesses only £14·26. If this policy of drift continue, the future of the bank will be jeopardised, and it seems that the Company should increase its capital without delay. Of course, the depositor must bear these facts in mind.

MERCANTILE BANK OF INDIA, LIMITED.

HEAD-OFFICE: 40 THREADNEEDLE STREET, LONDON, E.C.

DATE.—DECEMBER 31, 1900.

Ratio p.c. of Cash in hand, with Bankers, and Bullion to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
14·39	15·84	30·23	20·12	1·43	21·55	88·42

15,000 "A" Shares and 30,000 "B" Shares of £25 each, and £12½ paid.

Paid-up Capital, £562,500. Reserve Fund, £40,000.

The Mercantile Bank of India, which was established in 1892, possesses twelve branches, and the above ratios seem to indicate that it is in a fair state of preparedness, though they hardly denote strength.

Liabilities are put down in the balance-sheet as—

Current Accounts and Fixed Deposit Accounts . .	£1,614,110
Drafts on London Bankers against Cash and Securities .	56,156
Drafts on Head-Office and Branches	227,683
Drafts on Continental Bankers and other Agents . . .	1,762
Loans payable against Securities	785,455
Sundry Accounts (including Rebates)	110,049
	£2,795,215

The bank appears to have borrowed the large sum of £785,455 against securities. The said securities, I suppose, are bills of exchange purchased and hypothecated, and it seems to me that such an item is a most undesirable one upon the debit side of a bank's balance-sheet. Fortunately, our own banks do not pledge their securities (bills?)

in this fashion; but here is a bank which has borrowed upon securities to the extent of almost half its current accounts and deposits. Surely this is not banking! It seems to me that this Company does a bill-broker's business as well as a banker's, and no banking company can afford to pledge and re-discount its bills to the tune of £1,582,391 when its deposits only amount to £1,614,110. How would it discharge its liabilities during a crisis, when the said bills, perhaps, could not be met by the acceptors? Indian banking seems to me a risky business. It must be when the banking companies combine the trades of bill-brokers and bankers. Surely a bank should limit its liability on re-discounts to at least one-fifth of its deposits.

Cash assets are—

Cash in hand	£103,512
Cash at Bankers	149,025
Bullion	149,901
	£402,438

This gives a ratio per cent. to public liabilities of 14·39—a fairly good proportion.

Investments are—

Indian Government Rupee Paper	£294,558
Indian Government Sterling Stock and Guaranteed Railway Debentures	112,518
Other Securities	35,866
	£442,942

The ratio per cent. to liabilities is 15·84, and the bank's total liquid assets amount to 30·23. The Company, then, at December 1900, held £30·23 in cash and securities to meet each £100 it owed to the public—a position which is neither weak nor strong. Seeing the extent of the bank's liabilities upon hypothecated securities and re-discounted bills, its cash in hand ought to be considerably augmented, whilst its liquid assets appear insufficient as an insurance fund against the risks of a bill-broking and banking business.

Contingent liability on bills receivable re-discounted is given as £2,404,405, of which up to this date £1,607,469 has run off. Forward exchange contracts outstanding for purchase and sale of bills and telegraphic transfers, £1,782,109. Of

course, these items do not appear in the balance-sheet, but are given in the form of notes thereupon.

Advances are—

Bills receivable	£1,355,185
Bills discounted	74,534
Loans receivable and Advances .	1,042,079
	£2,471,798

The ratio per cent. to liabilities is 88·42—a proportion which seems to indicate that the Company is trading with too large a percentage of its deposits.

The nett profit for the year, including £12,094 forward, amounted to £47,937, and was distributed as follows:—

5 per cent. per annum on A Shares to 30th June . . .	£4,687
Reserve Fund	10,000
5 per cent. per annum on A Shares and 4 per cent. on B Shares .	19,688
Forward	13,562
	£47,937

The Reserve Fund is much too small; and, no doubt, accretions will be made to it year by year. Nor do the shares look

promising as a speculation, whilst depositors can find other banks with larger reserves of liquid assets and smaller contingent liabilities.

NATIONAL BANK OF INDIA, LIMITED.

Head-Office: 47 Threadneedle Street, London, E.C.

DATE.—JUNE 30, 1901.

Ratio p.c. of Cash in hand, at Call, and with Bankers, to Liabilities to the Public.	Ratio p.c. of Investments to Liabilities to the Public.	Total Liquid Assets.	Ratio p.c. of Paid-up Capital to Liabilities to the Public.	Ratio p.c. of Reserve Fund to Liabilities to the Public.	Total Working Capital.	Ratio p.c. of Bills and Advances to Liabilities to the Public.
18·31	10·22	28·53	5·96	4·47	10.43	80·92

Shares, £25, and £12, 10s. paid.
Paid-up Capital (held in Sterling), £500 000.
Reserve Fund, £375,000.

The National Bank of India, which was established in 1863, possesses some eighteen branches; and the above table shows us that its liquid assets are not abundant.

Liabilities to the public are given in the balance-sheet as—

Current Accounts and Fixed Deposit Accounts . . .	£6,130,441
Loans payable against Securities	1,190,000
Drafts on Head-Office and Branches	749,519
Branch Drafts on London Bankers against Securities .	17,257
Sundry Adjustments and other Accounts (including provision for bad and doubtful Debts) .	297,051
	£8,384,268

Bills receivable re-discounted come to £4,453,866, of which up to this date £3,081,491 has run off. Forward contracts outstanding for the purchase and sale of sterling bills and telegraphic transfers, £2,604,380.

The bank, then, has hypothecated £1,190,000 of securities (bills of exchange?), and, at June last, it was liable on re-discounts to the tune of £1,372,375. Seeing that its liquid assets only represent £28·53 to each £100 of its public liabilities, it is questionable whether the Company can afford to pledge its securities and incur

liabilities on re-discounted bills to such an extent.

Cash is thus described—

On hand, at Call, and with Bankers .	£1,233,027
Bullion on hand and in transit . .	302,902
	£1,535,929

These show a ratio per cent. to public liabilities of 18·31—a good proportion. But what percentage of the first item is at call? And is it with the bankers or the bill-brokers? Of course a really well-compiled balance-sheet gives the cash in hand, call money and balances with bankers separately, but the Indian banks appear as fond of lumping these various assets together as are our own. Certainly their trading cannot be called exactly prudent.

Investments are—

Consols, Indian Government Guaranteed Debentures, and other Government Securities (of which £10,000 is lodged with Bank of England as Security for Government Accounts) . . .	£429,318
Indian Government Rupee Securities .	428,068
	£857,386

Here the ratio per cent. to liabilities is

10·22. The bank, then, at June last, held £28·53 in liquid assets to every £100 of its public indebtedness; and seeing that over one million pounds of its securities are hypothecated, and that its liability on rediscounted bills is considerable, surely £40 in liquid assets to each £100 of its liabilities would only afford reasonable protection to its customers and depositors. Why does not the National Bank of India increase its Paid-up Capital?

Advances are—

Bills of Exchange	£2,424,858
Discounts, Loans receivable, and other Sums due to the Bank .	4,359,829
	£6,784,687

These show a ratio per cent. to liabilities of 80·92, which seems to indicate that the bank is trading with too large a proportion of its deposits. Indeed, its bills and advances are in excess of its current accounts and deposits; and a bank, to keep itself well prepared against accidents under such conditions, would require a very much larger amount of Working Capital than this institution possesses.

£87,120 is invested in house property and furniture.

The nett profit for the half-year, including £31,331 forward, came to £83,560, and was distributed as follows :—

10 per cent. per annum, free of Income Tax	£25,000
Reserve Fund (making it £375,000) .	25,000
Balance	33,560
	£83,560

The ratio per cent. of Paid-up Capital to liabilities is only 5·96, consequently large dividends are possible; and we can see from the Profit and Loss Account that the bank could have paid a much higher dividend had it not very wisely added £25,000 to the Reserve Fund. So if the Company have taken risks, which seem undesirable from a banking point of view, it has not been guilty of the folly of paying away huge dividends, and thereby raising the price of its shares out of all proportion to their intrinsic value. This, at least, can be said in its favour, but the fact does not vitiate my previous conclusions. It rather seems to indicate that the directors them-

selves are aware of the risk they are running in maintaining so small a ratio of liquid assets to liabilities. Nor is there any gainsaying the fact that there are stronger banks for depositors than the National Bank of India.

REMARKS

It will probably be said that my reviews of the Indian banks are not pleasant reading, and such is undoubtedly the case; but I think that the comment is fair and just. At the moment, when trade is moderately good, there is not much danger; but could some of these banks, had India, like Australia, to face a crisis, come through it safely?

Bills of exchange, which are met at maturity now, would then be very doubtful assets; and remembering the huge liabilities of these banks on the said class of security and the smallness of their liquid assets, there seems little doubt that, were India to experience a crisis like that of 1893, the banks would fare as badly as did the Australian companies. Further, is it prudent of a banking company to raise loans on its bills?

Again, we are told in the balance-sheets that *to this date* a certain amount of re-discounted bills has run off. Does "to this date" refer to the date of the balance-sheet or to the date of the auditor's certificate at the foot of the report? If it refer to the latter, then I have understated my case.

A bank, with huge liabilities on re-discounted bills, should surely maintain a ratio per cent. of liquid assets to liabilities of at least 40 per cent., even if its deposits are fixed; and unless the Indian banks increase their state of preparedness to deal with those accidents which always threaten a credit business, we are certain, sooner or later, to witness in India a crisis similar to that which occurred in Australia during 1893.

The highest and lowest prices throughout this volume are compiled from "Mathieson's Handbook for Investors."

THE END

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Colston & Coy. Limited, Printers, Edinburgh